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**Alternative Dispute Resolution in Intellectual Property  
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# Alternative Dispute Resolution in Intellectual Property Law: A growing need for a viable alternative to court litigation.

By Robin Richardson (University of Cape Town)<sup>1</sup>

## ABSTRACT

*The need for a viable alternative to court litigation of intellectual property disputes is much needed in modern legal systems. IP court litigation has become expensive, time consuming, and poor decision making has led to unpredictable and inconsistent results. This paper explores the possibility of using alternative methods, such as mediation and arbitration, to resolve complex IP disputes. The paper critiques modern judicial systems and analyses how alternative methods may be better suited to the resolution of IP disputes. Particular attention is paid to the issues present in the South African legal system and what steps are needed to implement a workable and regulated alternative to the High Court system. The paper concludes that alternative dispute mechanisms are well suited to the resolution of IP disputes but that South Africa needs to take progressive steps towards the realisation of such a system.*

Key words: Intellectual property, patents, court systems, alternative dispute resolution, arbitration, mediation.

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# Contents

## Chapter One

Introduction.....	1
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## Chapter Two: Is a court system the most efficient and effective means of resolving intellectual property dispute?

A. Judicial Enforcement under the TRIPS Agreement.....	6
B. The Jury System and Intellectual Property Disputes: The United States.....	8
i. The jury system in the United States: An antiquated system that has serious implications for the future of global innovation.....	9
a. A lack of knowledge and understanding amongst juries in complex patent cases and the right to due process.....	11
b. The presence of jury bias in patent disputes involving foreign parties.....	14
ii. Doing away with the jury system in the USA: Is there a need for specialised courts in the US?.....	15
C. Specialised Patent Litigation Courts- An examination of the United Kingdom's Patent Courts.....	18
i. Specialised Patent Litigation Courts- An examination of the United Kingdom's Patent Courts.....	20
D. "Generalist" Intellectual Property Court Systems: The South Africa position.....	22
i. Is a dedicated, fulltime, specialist intellectual property court required in South Africa?	
E. The issues common to all three court systems in terms of IP	

<b>Chapter Three: Alternative Dispute Resolution in Intellectual Property Disputes.....</b>	<b>28</b>
A. <i>Intellectual Property Litigation: A tool for protection or a thorn in the flesh for right holders?.....</i>	<i>29</i>
i. <i>Potential drawbacks surrounding litigation in IP disputes.....</i>	<i>29</i>
a. <i>Potential drawbacks surrounding litigation in IP disputes.....</i>	<i>30</i>
b. <i>Loss of innovation and competition.....</i>	<i>31</i>
ii. <i>The benefits of intellectual property litigation.....</i>	<i>32</i>
B. <i>Alternative Dispute Resolution: An overview.....</i>	<i>34</i>
i. <i>Negotiation.....</i>	<i>36</i>
ii. <i>Mediation.....</i>	<i>36</i>
iii. <i>Arbitration and Adjudication.....</i>	<i>37</i>
iv. <i>Miscellaneous forms of alternative dispute resolution.....</i>	<i>39</i>
C. <i>The Advantages and Disadvantages of ADR in the Resolution of Intellectual Property Disputes.....</i>	<i>40</i>
i. <i>The benefits of alternative dispute resolution.....</i>	<i>40</i>
a. <i>Reduction of time and use of experts in resolution.....</i>	<i>41</i>
b. <i>Finality and predictability .....</i>	<i>41</i>
c. <i>Continuing business relationships, disclosure and publicity.....</i>	<i>42</i>
d. <i>Choice of law.....</i>	<i>44</i>
ii. <i>The Disadvantages of Alternative Dispute Resolution.....</i>	<i>44</i>
D. <i>The changing international views of alternative dispute resolution in IP disputes.....</i>	<i>48</i>
i. <i>Pro Alternative Dispute Resolution Regions.....</i>	<i>51</i>
ii. <i>South Africa.....</i>	<i>52</i>
 <b>Chapter Four: The Future of Alternative Dispute Resolution- Is Online Resolution of IP Disputes feasible? .....</b>	 <b>55</b>

A. <i>Online Dispute Resolution: Are WIPO and the ICANN's Uniform Domain Name Dispute Resolution Policy the model for the future of ODR?</i> .....	56
i. <i>WIPO and UDRP</i> .....	56
ii. <i>How is Uniform Domain Name Dispute Resolution Policy applicable to IP dispute resolution?</i> .....	58
iii. <i>When is ODR not suited to IP disputes?</i> .....	59
<b>Chapter Five: Mandatory ADR in IP Disputes in South Africa: Is there a future?</b> .....	62
A. <i>Mandatory alternative dispute resolution: A myriad of constitutional issues?</i> .....	63
i. <i>Non-application of substantive law by arbitrators</i> .....	65
ii. <i>The right of access to courts</i> .....	66
iii. <i>Mandatory ADR may result in the unjustified delegation of judicial powers</i> .....	67
B. <i>Conclusion: Is ADR the future of IP dispute resolution in South Africa?</i> .....	68
<b>Bibliography</b> .....	72





# Alternative Dispute Resolution in Intellectual Property Law: A growing need for a viable alternative to court litigation.

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**By Robin Richardson (University of Cape Town)**

“Honest to God, I don't see how you could try a patent matter to a jury. Goodness, I've gotten involved in a few of these things. It's like somebody hit you between your eyes with a four-by-four. It's factually so complicated.”<sup>1</sup>

- Judge Alfred V. Covello

Intellectual property (hereafter referred to as IP) disputes today represent one of the most factually complex and legally technical scenarios that can be presented for adjudication before any court in any jurisdiction. The rapid advance in technology in the previous three decades, whilst representing a significant achievement in humankind's intellect, has also presented courts and attorneys around the world with the issue of how to adapt and develop the law of intellectual property so as to keep up to date, and ensure that these new creations of the human mind receive the protection that they deserve. Coupled with the issue of complexity, intellectual property disputes often require the use of expert witnesses, resulting in drawn out and complex litigation that, more often than not, results in one of the parties not only losing the litigation but also being placed under a significant amount of financial strain.<sup>2</sup> Intellectual property litigation has thus often been used, with remarkable success, as a weapon against competitors and has thus been

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<sup>1</sup> *Judicial Panel Discussions on Science and the Law*, (1993) 25 *Conn. L. Rev.* 1127 at 1144- statement of Judge Covello, U.S. District Judge, Dist. of Conn.).

<sup>2</sup> A 2005 survey revealed that, in the United States, the costs of taking a patent litigation through the discovery phase ranged from \$350,000 to \$3,000,000, and the costs of taking a patent case through appeal ranged from \$650,000 to \$4,500,000; Donna M. Gitter Should the United States designate specialist trial judges? An empirical analysis of H.R. 628 in light of the English Experience and the work of Professor Moore (2009) 10 *COLUM. SCI. & TECH. L. REV.* 169 at 186; Salvatore Anastasi & Kevin Alan Wolff, Am. Intellectual Prop. Law Ass'n, Report of the Economic Survey 2005, at I-108 - I-110 (2005).

criticised as not only being anti-competitive, but also for being anti-innovative and thus in conflict with the exact purpose for which intellectual property law was created.

An issue that has made intellectual property litigation even more arduous is the lack of a universal intellectual property system that allows for global litigation. While the Agreement on Trade Related Aspects of Intellectual Property Rights<sup>3</sup> (hereafter referred to as the “TRIPS Agreement”) has certainly made inroads to the global harmonisation of intellectual property rights, there has yet to be the establishment of a global dispute resolution mechanism or forum that allows aggrieved rights holders to litigate multiple jurisdictional issues in one convenient location and receive an enforcement order that would be universally applicable or enforceable. Instead litigants are required to institute multiple cases, in multiple jurisdictions, using a variety of local and international laws to receive an order that, more often than not, is only enforceable at a national level. The problem is compounded by the fact that judges and juries are sometimes ill-equipped or trained to deal with intellectual property disputes and may deliver orders that could be unfair or impractical. The result is an inefficient and costly system that is often only able to be utilised at the whim of the wealthiest of parties and excludes the parties who need protection the most- the grass root inventors and entrepreneurs.

The result of this inefficient litigation system is that many attorneys and academics around the world have begun to look to alternative forms of dispute resolution to solve complex and intricate intellectual property disputes. In many cases disputes do not even reach the trial stage but rather are settled out of court through the use of alternative dispute resolution mechanisms such as mediation and arbitration. These alternatives to litigation have grown in popularity in recent years as they offer a viable

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<sup>3</sup>TRIPS: Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, THE LEGAL TEXTS: THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 320 (1999), 1869 U.N.T.S. 299, 33 I.L.M. 1197 (1994) [hereinafter TRIPS Agreement].

solution that is, not only in many cases, cheaper but is also aimed at a quick and efficient resolution.

It is surprising then that more has not been done in South Africa to create a regulated alternative dispute resolution tribunal that may assist the North Gauteng High Court in the resolution of intellectual property disputes- this is especially in light of the fact that there is currently a huge backlog in our courts. While much is being done to reduce the current backlog in our regional courts through the Case Backlog Reduction Project, statistics show that there still is a great deal to be done in order to reduce this backlog and create an efficient justice system.<sup>4</sup> This is vitally important if South Africa is to remain up to date with other jurisdictions and ensure that right holders, both foreign and domestic, do not experience undue delays which may ultimately prejudice their rights.

This thesis will begin in Chapter 2 by examining the judicial systems around the world and the problems that are inherent to each of them in relation to intellectual property adjudication. A comparative analysis will then be done with the South African court system to determine whether or not our current court system is adequately equipped to deal with complex and technical intellectual property disputes. Particular attention will be given to the jury system in the United State and specialised IP court systems in the United Kingdom. The Chapter will draw out issues relating to the adjudication of recent cases, in particular, the *Apple v Samsung*<sup>5</sup> case which was recently

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<sup>4</sup> - The backlog was initially 20 452 cases (representing a 43% backlog) on an outstanding roll of 47 343 in November 2006.

At the end of March 2007, the situation reflected 18 619 backlog cases (representing a 39% backlog) on an outstanding roll of 47 926.

At the end of March 2008, the situation reflected 17 333 backlog cases (representing a 34% backlog) on an outstanding roll of 50 483.

- At the end of March 2009, the situation reflected 15 767 (representing a 30% backlog) on an outstanding roll of 51 802.

Ndifelani Magadani' Case backlog project bears fruit' (2009) 5 *Justice Today* at 2-3. Available at [http://www.justice.gov.za/newsletter/JT/JT2009\\_Vol5.pdf](http://www.justice.gov.za/newsletter/JT/JT2009_Vol5.pdf) (Last Accessed: 23rd November, 2012).

<sup>5</sup>Apple Inc. v Samsung Electronics Co. Ltd. Et al C 11-1846 & C 12-0630. Available at <http://cand.uscourts.gov/lhk/applevsamsung> (Last Accessed: 23rd November, 2012).

decided in California. Through the process of examining the various court systems and how intellectual property disputes are adjudicated in these systems, the Chapter will identify issues in the systems related to time, costs of litigation and the quality of judicial and jury decisions.

Chapter three will provide an overview and explanation of the principles of alternative dispute resolution (hereafter also referred to as “ADR”). The Chapter will explain the continuum present in ADR that ranges from unenforceable negotiation on the one end to court enforceable arbitral decisions and awards on the other. The main focus of the Chapter will be on the relationship between alternative dispute resolution and intellectual property and how alternative dispute resolution is suited to handling the complexities of IP disputes. Furthermore, a brief survey of published literature will be conducted on the current use of alternative dispute resolution in foreign jurisdictions and the advantages and disadvantages that have arisen as a result of its use. The Chapter will focus on how the changing nature of intellectual property, especially with regards to its global nature, requires a system that will be easily adaptable across jurisdictions and this it will be submitted may be addressed by the mechanisms of mediation and arbitration.

Chapter Four will explore the possibility of the online dispute resolution of intellectual property disputes. This Chapter will look at the history of online domain dispute resolution and analyse whether or not the nature of intellectual property disputes lend themselves to this rapid dispute mechanism. It will further examine the appropriateness of the use of such mechanisms in a South African context. While the main focus of this paper is on the issues that arise in patent litigation, this Chapter will introduce the possibility that online dispute resolution may be a solution to the efficient resolution of trademark disputes. The Chapter will show how online dispute resolution of domain disputes and court adjudication of trade mark disputes involve similar inquiries and thus the transition to online resolution of trade mark disputes is possible. The Chapter will then present the difficulties of

online resolution of patent and copyright disputes and how these forms of IP are currently unsuited to such a mechanism.

Chapter Five will deal with specific constitutional issues that arise in the South African context. These issues relate to the implications of mandatory mediation and arbitration prior to the commencement of a trial in the High Court. The Chapter will draw out issues with regard to alternative dispute resolution in relation to the right of access to court and the right to due process. The Chapter will also examine the issue of judicial delegation in terms of the ability of arbitrators to create binding decisions that may limit the parties' rights and whether appropriate checks and balances are required to ensure that arbitrators do not overstep the bounds of law or unjustifiably deprive parties of their rights. The Chapter will set out brief recommendations as to how ADR can be approached in South Africa and will argue that ADR may not only help to save costs and time in IP disputes but also lead to greater consistency in the field of intellectual property law.

Finally, the paper will conclude that while significant inroads have been made to reduce the backlog of cases at regional courts in South Africa, the Justice Department would do well to develop a strong regulatory framework for a specialised alternative dispute resolution tribunal much like the Council for Conciliation, Mediation and Arbitration, which is supported by a specialised court with judges trained specifically to deal with matters related to intellectual property disputes.

Throughout the thesis the main focus will be on solving the three main issues present in IP disputes today, these being 1) the length of the IP litigation and its implications on the right holder's IP rights; 2) the costs involved in litigating a matter and 3) the quality of decision making in the resolving of IP disputes. Each chapter will explore these aspects in one way or another and will present ways in which alternative dispute resolution can help to solve these pertinent issues.

## Chapter 2: Is a court system the most efficient and effective means of resolving intellectual property dispute?

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In recent years there has been a substantial amount of debate surrounding the question of whether or not the court system is the appropriate mechanism to resolve intellectual property disputes. The increasing complexity of the intellectual property disputes- in particular patents- have necessitated the use of expert witnesses to explain often incomprehensible technical aspects to judges, and juries alike. The intention of the experts is to teach these individuals, within a short space of time, aspects of science and technology that have taken seasoned experts, in the relevant field, years of study to understand and master.<sup>6</sup> The plaintiff and defendant are then required to trust that the court has sufficiently understood the evidence to give a correct order or verdict. These orders have far reaching economic implications that may not only affect the parties involved but, depending on the market share and size of the companies or individuals involved, may also affect hundreds and thousands of employees and consumers worldwide.<sup>7</sup>

### *A. Judicial Enforcement under the TRIPS Agreement*

The TRIPS Agreement was one of the first attempts at the international harmonisation of intellectual property law. The TRIPS Agreement created a minimum set of obligations that Member states needed to institute in order to be in compliance with the Agreement- one of these being that Member states

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<sup>6</sup> Michael A. Fisher. "Going for the Blue Ribbon: The Legality of Expert Juries in Patent Litigation." (2000) 2 *Colum. Sci. & Tech. L. Rev.* 1.

<sup>7</sup> Norman L. Balmer 'Alternative Dispute Resolution in Patent Controversies' (1995) 6 *Risk* 145 at 145.

must ensure that there are enforcement procedures available for intellectual property right holders.<sup>8</sup> The TRIPS Agreement, however, does 'not create any obligation to put in place a judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of law in general...'.<sup>9</sup> The Agreement thus allows Member States the discretion to decide on a judicial system that is in line with their national policy or judicial system.<sup>10</sup>

In this Chapter three judicial systems will be examined. The first being the jury judicial system. The focus in this subsection will be on the United States which allows for jury decision making in intellectual property disputes in District Courts which may then be followed by an appeal to judge in the Federal Court of Appeals. The second court system to be examined, in terms of intellectual property dispute adjudication, is that of specialised intellectual property courts. The focus in particular will be on the United Kingdom Patent Courts which is one of the oldest established specialised IP court systems. The final system to be examined will be court systems such as South Africa, which although having provisions for the appointment of specialised judges, continues to use general Superior Court judges to adjudicate complex intellectual property law matters<sup>11</sup>

Each of the above court systems has advantages and disadvantages when it comes to the adjudication of intellectual property disputes. This chapter will investigate both the advantages and disadvantages of each system and evaluate the current criticisms thereof. The main focus of the chapter in terms of intellectual property law and the court systems will be on patent disputes as these are often the most factually complex and technical and

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<sup>8</sup> Supra Note 3 (TRIPS), Article 41.1.

<sup>9</sup> Supra Note 3 (TRIPS), Article 41.5.

<sup>10</sup> See Jerome H. Reichman "Enforcing the Enforcement Procedures of the TRIPS Agreement." (1996) 37 *Va. J. Int'l L.* 335. Carlos M Correa 'Intellectual Property Rights, the WTO and Developing Countries: The TRIPS Agreement and Policy Options' (2000) (Zed Books: London).

<sup>11</sup> While the court adjudicating the matter is referred to as the "Court of the Commissioner of Patents" in terms of the Patent Act No. 57 of 1978 and its decisions are separate to that of the North Gauteng High Court, it is submitted that this court cannot truly be considered to be entirely separate from the High Court in the same sense that the United Kingdom Patent Courts are separate to their general civil courts.



thus raise many issues that are applicable to other fields of IP law such as trade marks and copyright. Issues related to trade marks and copyright could be incorporated within the issues related to patents and thus the reader is advised to view the commentary as such.

### *B. The Jury System and Intellectual Property Disputes: The United States*

The court system that has perhaps received the most criticism in the past year in intellectual property is the jury court system of the United States. This stems in particular from the recent jury decision in *Apple v Samsung*, where after only two days of deliberation the jury of which only one juror had any intellectual property law knowledge, handed down a decision requiring Samsung to pay a massive one billion dollars for the wilful infringement of Apple's patents related to the iPhone.<sup>12</sup> While little peer-reviewed academic literature has been written evaluating the jury's decision, current media criticisms<sup>13</sup> of the decisions relating to the lack of expertise present in juries, as well as their inability to comprehend the technical and complex nature of patent and IP disputes, are much in line with decades of academic criticism<sup>14</sup> on the topic of allowing juries of lay persons to decide on complex patent disputes- however despite years of academic criticism, the right to a trial by jury appears to be firmly embedded in the US legal system by virtue of the Seventh Amendment of the US Constitution.<sup>15</sup> It is thus important to

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<sup>12</sup> Supra note 5; Leo Kelion 'Apple versus Samsung: Jury foreman justifies \$1bn verdict' *BBC News Online* 31 August, 2012. Available at <http://www.bbc.co.uk/news/technology-19425052> (Last accessed: 27 November, 2012).

<sup>13</sup> Ibid.

<sup>14</sup> As long ago as 1901 Learned Hand discussed the "anomaly" of asking a jury of laymen to resolve a dispute between experts on a subject about which they know nothing other than what the experts have told them. See Hand, 'Historical and Practical Considerations Regarding Expert Testimony' (1901) 15 *Harv. L. Rev.* 4; Harold L. Korn "Law, Fact, and Science in the Courts." (1966) 66 *Colum. L. Rev.* 1080 at 1080-1081; Donald Zarley "Jury Trials in Patent Litigation." (1970) 20 *Drake L. Rev.* 243.

<sup>15</sup> The Seventh Amendment of the U.S Constitution states:

"In suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any court of the United States, than according to the rules of the common law."

examine the US jury system, as the US is currently the source of much of the world's intellectual property and, as a result, has an inordinate number of IP applications and disputes each year.<sup>16</sup> Thus any change or issue that arises in the US patent adjudication system could have serious implications worldwide.

*i. The jury system in the United States: An antiquated system that has serious implications for the future of global innovation*

The right to a trial by jury is enshrined in the Seventh Amendment of the US Constitution which states:

"In suits at common law... the right to a trial by jury shall be preserved, and no fact shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law."<sup>17</sup>

The right to a trial by jury can be requested by either side under their Seventh Amendment rights, however, if neither side requests a jury then the trial will proceed before a judge.<sup>18</sup> In a jury trial the questions of fact are decided by the jury and the questions of law are decided by the trial judge.<sup>19</sup> However it is not always easy to determine what a question of law or a

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Available at [http://www.law.cornell.edu/constitution/seventh\\_amendment](http://www.law.cornell.edu/constitution/seventh_amendment) (Last accessed: 10 January, 2013).

<sup>16</sup> The US Patent Office contributed 30.4 percentage to the total growth in patents from 2009-2011. WIPO 'World Intellectual Property Indicators' (2012) Available at <http://www.wipo.int/ipstats/en/wipi/index.html> (Last accessed: 20 January, 2013).

<sup>17</sup> Gregory D. Leibold 'In Juries We Do Not Trust: Appellate review of patent infringement litigation' (1996) *U.Colo.L.Rev* 623 at 629; The United States Constitution, Amendment 7 available at [http://www.usconstitution.net/xconst\\_Am7.html](http://www.usconstitution.net/xconst_Am7.html) (Last Accessed 27 November, 2012).

<sup>18</sup> Kimberly A. Moore 'Judges, Juries and Patent Cases: An empirical peek inside the black box' (2000-2001) 99 *Mich. L. Rev* 365 at 384; The Federal Rules of Civil Procedure Rule 38 (d) states:

'WAIVER; WITHDRAWAL. A party waives a jury trial unless its demand is properly served and filed. A proper demand may be withdrawn only if the parties consent.'

Available at [http://www.law.cornell.edu/rules/frcp/rule\\_38](http://www.law.cornell.edu/rules/frcp/rule_38) (Last Accessed: 10 January, 2013).

<sup>19</sup> Phillipe Signore 'On the Role of Juries in Patent Litigation' (2001) 83. *Pat&Trademark.Off.Soc'ty* 791 at 799.

question of fact is.<sup>20</sup> It was stated by Judge Newman in the case *Markman v Westview Instrument, Inc.*<sup>21</sup> that a “question of law” usually involves general principles or rules to be applied to particular facts while a “question of fact” inquires whether specific acts or events actually occurred, or whether conditions actually existed.<sup>22</sup>

One the most important aspects that the Supreme Court established in the *Markman* case was “that the construction of a patent, including terms of art within its claims, is exclusively within the province of the court.”<sup>23</sup> Prior to *Markman*, claim construction of a patent was considered to be a question of fact to be decided by the jury. The Supreme Court disagreed with this approach and turned to “functional considerations” holding that “judges, not juries, are better suited to find the acquired meaning of patent terms.” Signore points out that what the Supreme Court in effect did was to undermine the role of the juries in patent cases by taking one of the key elements of a patent case away from juries- namely the responsibility of the jury to interpret the functional considerations and determine the meaning of the patent terms underlying the claims.<sup>24</sup> The result of the *Markman* case is that prior to a jury trial, a *Markman Hearing* is held by the district courts to settle the issue of claim construction.<sup>25</sup> The settlement of the claim construction, as Signore points out, often increases the predictability of the claim and thus a summary judgment is often given or the parties choose to settle.<sup>26</sup> The *Markman* decision thus clarified much of the confusion surrounding whether claim construction was a question of law or fact, and at the same time introduced a level of predictability to the patent litigation.

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<sup>20</sup> Supra note 19 (Signore) at 801.

<sup>21</sup> *Markman v Westview Instruments, Inc.* 52 F.3d 967, 1009, 34 USPQ2d 1321, (Fed. Cir. 1995) (en banc), aff'd, 517 U.S. 370, 38 USPQ2d 1461 (1996)

<sup>22</sup> Supra note 19 (Signore) at 801.

<sup>23</sup> Supra note 21 (Markman) at 388.

<sup>24</sup> Supra note 19 (Signore) at 803.

<sup>25</sup> Ibid.

<sup>26</sup> Ibid; For an empirical analysis of whether claim construction is more predictable See Kimberly A. Moore "Markman eight years later: Is claim construction more predictable." (2005) 9 *Lewis & Clark L. Rev.* 9; Mark A. Lemley "The Changing Meaning of Patent Claim Terms." (2005) 104(1) *Michigan Law Review* 101 at 102.

Despite the court usurpation of certain jury roles or duties, several important aspects of a patent dispute remain questions of fact. These include, but are not limited to, the issues of 1) the novelty of the invention; 2) the obviousness of invention; 3) the issue of infringement; and 4) the amount of damages to be awarded.<sup>27</sup> The responsibility to decide these four issues provides the jury with a substantial amount of power to determine, not only the outcome of the case and the litigants involved, but also the future of innovation within a particular technological niche. It is the magnitude of the power which juries yield and its downstream effects on innovation and consumers that has led to a great deal of criticism of the current patent adjudication system in the United States. These criticisms are evaluated below:

*a. A lack of knowledge and understanding amongst juries in complex patent cases and the right to due process.*

Possibly the greatest issue that academics, attorneys and litigants alike, have taken up with the current jury system in the US is the lack of specific knowledge or understanding required to be juror in a patent or intellectual property case.<sup>28</sup> It is often argued that in order to make a fair and just decision in a patent dispute, those evaluating the evidence must be able to sufficiently comprehend the evidence that is presented to them.<sup>29</sup> If one is unable to fully understand the evidence then it is likely that one would simply go with a gut feeling decision, or with the evidence that was most effectively and convincingly argued. This may in turn lead to a travesty of justice and an unfair trial. Fisher, and others, have argued that a lack of knowledge and understanding in a patent trial may in fact be in violation of the litigant's right to due process as guaranteed under the Fifth Amendment.<sup>30</sup> The Fifth Amendment to the U.S. Constitution guarantees that no person:

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<sup>27</sup> Supra note 19 (Signore) ; Supra note 26 (Lemley).

<sup>28</sup> Supra note 6; Jennifer F. Millar "Should Juries Hear Complex Patent Cases?." (2004) 4 *Duke L. & Tech. R.* 4-15. Meehan, Kevin A. "Shopping for Expedient, Inexpensive & Predictable Patent Litigation." (2008) *BC INTELL. PROP. & TECH. F* 102901 at 7.

<sup>29</sup> Ibid.

<sup>30</sup> Supra note 6 (Fisher) at 5. Joel C. Johnson "Lay Jurors in Patent Litigation: Reviving the Active, Inquisitorial Model for Juror Participation." (2003) 5 *Minn. Intell. Prop. Rev.* 5 i.

“shall . . . be deprived of life, liberty, or property, without due process of law . . . .”<sup>31</sup>

In the case of *Sullivan v. Fogg*<sup>32</sup>, the Federal Appellate Division and the Second Circuit held that a fundamental principle of the right to due process under the Fifth Amendment is that juries are capable of deciding a case rationally.<sup>33</sup> Although, as Fisher points out, this was a criminal case there is no reason why the same fundamental principle should not apply to a civil matter.<sup>34</sup>

The principle that the right to due process dispute may be violated if a jury is incapable of understanding the complex issues at play was furthermore accepted in the antitrust case of *In re Japanese Electronic Products Antitrust Litigation*.<sup>35</sup> The Third Circuit, in essence, recognised a complexity exception to the right to a trial by jury but stressed that such an exception must only be applied in exceptional circumstances and only after there has been a consideration of the feasibility of increasing the juries understanding and reducing the complexity of the case.<sup>36</sup> The exception has however been rejected by other Circuit courts, which maintain that there are other methods of rendering a trial more understandable and that the complexity exception is in fact demeaning to the intelligence of ordinary citizens.<sup>37</sup> The complexity of the case can be reduced through education of the jury, the severance of multiple claims into more manageable steps and the use of specialised trial techniques as set out in the Manual for Complex Litigation.<sup>38</sup>

The question that arises is whether, if one is not able to rid the intellectual property system of juries, should it then be permissible in the US to allow for

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<sup>31</sup> US Constitution, Amendment V.

<sup>32</sup> 613 F.2d 465, 466 (2d Cir. 1980).

<sup>33</sup> Supra note 6 (Fisher) at 5. Supra note 28 (Millar) at 9.

<sup>34</sup> Ibid.

<sup>35</sup> 631 F.2d 1069 (3d Cir. 1980).

<sup>36</sup> Ibid at 1088-1089.

<sup>37</sup> *In re U.S. Financial Securities Litigation*, 609 F.2d 411 (9th Cir. 1979); *Kian v. MirroAluminum Co.*, 88 F.R.D. 351, 355 (E.D. Mich. 1980); See also Franklin Strier. "Educated Jury: A Proposal for Complex Litigation, The." (1997) *DePaul L. Rev.* 47 for the argument for specialised juries.

<sup>38</sup> Available at <https://public.resource.org/scribd/8763868.pdf> (Last accessed: 20 January, 2013).

special juries comprised of individuals who have special knowledge of a particular aspect or invention that is in dispute. While this would certainly go a long way to assisting in more reasoned and, perhaps, consistent verdicts that would instill confidence and predictability in patent litigation, there appears to be a significant amount of opposition and suspicion of the use of special juries.

To begin with, the use of special juries may be considered unconstitutional and in violation of the Fourteenth Amendment of the US Constitution.<sup>39</sup> It was held in *U.S. v. Butera*<sup>40</sup> that a jury must be drawn from a fair cross section of the community. In this case the Court based their reasoning upon the Equal Protection Clause of the Fourteenth Amendment.<sup>41</sup> However, it is submitted that perhaps the Court's decision in *Butera* could be interpreted in a manner that would allow for special juries in patent disputes. The particular interpretation would involve interpreting the word "community" to not only refer to the community at large- when necessary- but also allowing for the possibility to treat certain groups as communities. By way of example, in a patent dispute involving a device, the industry from which the device originated may be considered to be the community- the people working in that industry forming its community members. This interpretation would create an information community with particular knowledge of the dispute between the parties and would be in keeping with the origins of the jury system, which was designed for cases to be decided by a jury of one's peers.<sup>42</sup>

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<sup>39</sup> Supra note 6 (Fisher) at 14.

<sup>40</sup> 420 F.2d 564, 567 (1st Cir. 1970).

<sup>41</sup> The Fourteenth Amendment states:

All persons born or naturalized in the United States, and subject to the jurisdiction thereof, are citizens of the United States and of the State wherein they reside. No State shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States; nor shall any State deprive any person of life, liberty, or property, without due process of law; nor deny to any person within its jurisdiction the equal protection of the laws."

<sup>42</sup> See also Davin M. Stockwell "Jury of One's (Technically Competent) Peers, A." (1999) 21 *Whittier L. Rev.* 645.

Despite the issue that the use of special juries may be unconstitutional, there appears to be a fear in the US that specialised juries will be biased due to their prior knowledge and ideology and thus decide on the facts in an incorrect manner- in turn rendering the trial unfair. It is however submitted that the probability of an unfair trial is more significant in instances where persons cannot understand the evidence presented to them than in instances where a person understands the evidence and then makes a decision based on their knowledge and previous experience.<sup>43</sup> The likeliness of jury bias is a real concern, whether it is a special or ordinary jury, and has been one of the criticisms that has often been levelled against the US jury system when it comes to patent disputes involving foreign litigants.

*b. The presence of jury bias in patent disputes involving foreign parties.*

The issue of jury bias in patent cases involving foreign litigants has been raised by academics since the early 1990s.<sup>44</sup> In particular the general focus has usually been on Asian litigants/corporations who either hold US patents or are distributing/importing items that are alleged to infringe a patent held by a US patent holder. However, jury bias has been found not only to arise against foreign litigants- who are easily perceived as being a “common enemy”, but also arises in domestic cases between patent holders and alleged infringers. In the case of national disputes there is a general trust in the skill and knowledge of the Patent and Trademark and, statistically, juries appear to find more often for the patent holder on the issues of validity, infringement and wilfulness.<sup>45</sup>

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<sup>43</sup> Lauren Maxwell. "The Future of the American Petit Jury System: A Look at the Problems in the American Jury System and the Use of Professional Juries." (2010) 1 *THE STEVENSON UNIVERSITY FORENSICS JOURNAL* 18 at 20. For a commentary on jury reaction to scientific testimony and potential reforms see also Eugene Morgulis "Juror Reactions to Scientific Testimony: Unique Challenges in Complex Mass Torts." (2009) 15 *BUJ Sci. & Tech. L.* 252.

<sup>44</sup> Jack L. Lahr 'Bias and Prejudice Against Foreign Corporations in Patent and other Technology Jury Trials' (1992) 2 *Fed. Cir. B.J* 405.

<sup>45</sup> Kimberly A. Moore 'Judges, Juries and Patent Cases: An empirical peek inside the black box' (2000-2001) 99 *Mich. L. Rev* 365 at 402. Moore's data indicates that juries may perceive the patentee who brings an infringement action as a victim and an infringer as the thieving villain.

A very disturbing issue in light of the recent *Apple v Samsung* jury verdict is Moore's empirical finding that American juries may exhibit xenophobic bias in patent cases involving a domestic and foreign party.<sup>46</sup> Moore's data, based on the evaluation of thousands of patent disputes, submits that domestic parties win 64% of cases tried by juries in which the adversary is a foreign party.<sup>47</sup> Furthermore, while it may be argued that this may simply be due to weak or invalid patents, Moore's research indicates that such a difference in the win rate was not present in cases that were adjudicated by judges. Moore's findings unfortunately cannot be supported by the actual transcripts of the juries' deliberations as these are unavailable due to the black box nature of jury verdicts.<sup>48</sup> This identifies another issue that has been raised in regard to jury trials and patent litigation- there is an inherent lack of transparency and availability of review for the jury's interpretation of the evidence and facts. Courts in the US appear to show a great deal of deference to jury verdicts on factual questions and substantial evidence.<sup>49</sup> The unfortunate inability of courts to review the jury's deliberations and interpretation of the facts, and thus the lack of ability on the part of the defendant to challenge the factual findings, creates the potential for decisions based purely on the jury's gut feelings, biases, or which party the jury feels presented their evidence in the most convincing manner. The implication of this being that there is an inherent lack of predictability and consistency in patent litigation involving juries, which may have adverse effects on both the litigants and downstream innovation.

ii. *Doing away with the jury system in the USA: Is there a need for specialised courts in the US?*

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<sup>46</sup> Kimberly A. Moore 'Xenophobia in American Courts' (2003) 97 *North Western University Law Review* 1497 at 1504.

<sup>47</sup> *Ibid.*

<sup>48</sup> Kimberly A. Moore 'Juries, Patent Cases & a Lack of Transparency' (2002-2003) 39 *Hous. L. Rev* 779 at 790-791.

<sup>49</sup> *Ibid.*



In 1982 the United States Congress established the Federal Circuit and granted it exclusive appellate jurisdiction over patent cases.<sup>50</sup> The rationale behind its establishment was to harmonise patent law among the circuits and to prevent forum shopping.<sup>51</sup> The judges of the Federal Circuit are considered to be more specialised in patent dispute than the judges of the district circuits and in many cases have technical backgrounds.<sup>52</sup> The reason the Federal Circuit judges are considered to be more specialised is due to the frequency of patent cases that come before them, coupled with the fact that they often have the assistance of three law clerks with scientific training, as well as a staff of technical advisors. The Federal Circuit judges are therefore often able to provide well reasoned and consistent judgments that may not have been given at the District trial court.

The unfortunate reality of the current US court system is that in order to reach the Federal Circuit, one must first have one's case heard at the District level. The result is that patent litigation is astronomically expensive and excessively prolonged if one wishes to pursue the litigation to a specialised court.<sup>53</sup> There has thus in recent years been a debate whether specialised trial courts for patents are needed or whether specialised training is necessary for trial judges.

The most recent development concerning the specialised training of district court judges is the *Patent Cases Pilot Program Act*.<sup>54</sup> This Act, passed in January 2011, is aimed at increasing the expertise and experience of district judges in patent cases especially surrounding the interpretation of claim construction.<sup>55</sup> The Act is aimed at addressing the concerns of many academics, judges, and attorneys in regard to the high reversal rates

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<sup>50</sup>Supra note 2 (Gitter) at 177; John B. Pegram 'Should There Be a US Trial Court With a Specialisation in Patent Litigation' (2000) J. Pat. & Trademark Soc'y 765 at 770.

<sup>51</sup>Ibid.

<sup>52</sup>Ibid.

<sup>53</sup> "A 2005 survey revealed that, in the United States, the cost of taking a patent litigation through the discovery phase ranged from \$350,000 to \$3,000,000 and the costs of taking a patent case through appeal ranged from \$650,000 to \$4,500,000."- Anastasi & Kevin Allan Woolf 'Report of the Economic Survey 2005' (2005) *Am. Intellectual Prop. Law Ass'n* 1-108.

<sup>54</sup> PUBLIC LAW 111-349—JAN. 4, 2011. Available at <http://www.gpo.gov/fdsys/pkg/PLAW-111publ349/pdf/PLAW-111publ349.pdf> (Last Accessed 25 November, 2012).

<sup>55</sup> Preamble to Act. ; Supra note 2 (Gitter) at 171-172.

between the Federal Circuit and the district courts in respect of technical and substantive law elements of patent law.<sup>56</sup> In essence, the Act allows participating districts to select a group of judges to be designated patent judges. This means that once filed, the case will be randomly assigned to all the judges in the district who have the option to decline or accept the case.<sup>57</sup> If the judges decide to decline to hear the matter then the case will be handed over to one of the designated patent judges. The idea is to develop the expertise and experience of these designated judges over a 10 year period and then conduct an analysis of whether the reversal rates have declined over this period.<sup>58</sup> Furthermore, the Act allots 5 million dollars annually to educate the judges who opt to hear patent cases and also provides compensation for law clerks that assist these judges.<sup>59</sup>

The Patent Case Pilot Project Act appears to be a step in the right direction to reducing the length and excessive costs that are often associated with patent litigation and appeals. By providing technical expertise and experience to judges at the trial phase, the Act will hopefully reduce the number of reversals that the Federal Circuit must make, thus reducing its case load while at the same time ensuring that litigants do not waste unnecessary time and money in the pursuit of a well reasoned order. The Act could in many ways be considered to be indicative of a US trend towards the establishment of a specialised patent court or tribunal as has been the case in the United Kingdom and other countries for some time. Specialised courts such as the UK patent court system as will be pointed out below have many advantages that are currently lacking in the US system. These advantages include higher quality decision-making and time benefits but depending on the extent and complexity of the litigation may only be slightly less expensive than the USA.

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<sup>56</sup> Supra note 2 (Gitter) at 171; Gretchen A. Bender, *Uncertainty and Unpredictability in Patent Litigation: The Time Is Ripe for a Consistent Claim Construction Methodology*, (2001) 8 J. Intell. Prop. L. 175 at 207 (finding that the Federal Circuit reversed 40 percent of the 160 claim constructions appealed from the 1996 *Markman* decision through 2000).

<sup>57</sup> Frank A. Bruno 'The Patent Case Pilot Project Takes Off' 20 October, 2011 *IP Law Alert*. Available at <http://www.iplawalert.com/2011/10/articles/patent-1/the-patent-pilot-program-takes-off-around-the-country> (Last Accessed: 28 November, 2012).

<sup>58</sup> Ibid.

<sup>59</sup> Supra note 2 (Gitter) at 173.

*C. Specialised Patent Litigation Courts- An examination of the United Kingdom's Patent Courts.*

In 1977 England established the patent trial court as a part of the Chancery Division of the High Court thus making it one of the oldest specialised patent or intellectual property courts in the world.<sup>60</sup> The Patent Court has jurisdiction to hear all intellectual property disputes and has the exclusive jurisdiction to hear patent and registered design infringement cases.<sup>61</sup> The proceedings are heard before a specialist judge who, unlike the US system, does not have a jury.<sup>62</sup> In addition to the Patent Court, the Patent County Court was established in 1990 with the aim to provide quicker, cheaper and more accessible ways of dealing with patent and design litigation.<sup>63</sup> The Patent County Court, while designed to deal with matters between small and medium sized entities, has coextensive jurisdiction with that of the Patent Court, and likewise has a full range of remedies to resolve matters.<sup>64</sup> In some instances the Patent Court may decide to transfer a matter to the Patent County Court- in this case the decision is left to the Patent County Court who will take into consideration a variety of factors such as the financial position of the parties; whether it is more convenient or fair to hear the matter; the need and availability of a judge specialising in the specific claim; and the complexity of the matter and the remedies required.<sup>65</sup>

In order to further increase the efficiency of patent litigation in both the Patent Court and Patent County Court, the Patents Court accepted and made available a “streamlined” trial procedure.<sup>66</sup> The Patent Court Guide states:<sup>67</sup>

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<sup>60</sup> Supra note 2 (Gitter) at 182.

<sup>61</sup> Ibid.

<sup>62</sup> Lionel Bently & Brad Sherman *Intellectual Property Law 3<sup>rd</sup> Edition* (2009) (Oxford University Press: Oxford) at 108-1084.

<sup>63</sup> Ibid; Patent County Court (Designation and Jurisdiction) Order 1994 (SI 1994/1609); LeRoy L. Kondo, *Untangling the Tangled Web: Federal Court Reform Through Specialization for Internet Law and Other High Technology Cases*, (2002) 1 UCLA J.L. & Tech 19 at 90

<sup>64</sup> Supra note 62 (Bently) at 1084.

<sup>65</sup> Ibid.

<sup>66</sup> Sebastian Moore ‘The Patent Court’s Streamlined Procedure- Two Years On’ (2006) 1(2) *Journal of Intellectual Property Law & Practice* at 114.

“A streamlined procedure is one in which, save and to the extent that it is otherwise ordered:

- (i) all factual and expert evidence is in writing;
- (ii) there is no requirement to give disclosure of documents;
- (iii) there are no experiments;
- (iv) cross-examination is only permitted on any topic or topics where it is necessary and is confined to those topics;
- (v) the total duration of the trial fixed is and will normally be not more than one day;
- (vi) the date for trial will be fixed when the Order for a streamlined trial is made and will normally be about six months thereafter.”

The “streamlined” procedure is intended to reduce the costs and time of a patent trial by limiting certain aspects of the trial- in particular the need for experiments and expert witnesses. In addition, by limiting the time of the pre-trial court phase of the litigation process, the courts can ensure that the use of litigation as a delaying or anti-competitive tool is more or less eradicated. The “streamlined” procedure, as pointed out by Moore, has yet to be fully utilised by litigants in patent disputes. The suggestion for this being that the procedure is still foreign to many attorneys and their clients.<sup>68</sup> Furthermore, there may be significant disadvantages to utilising the streamlined proceedings. Firstly, due to its rapid trial timetable, the parties may not have

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<sup>67</sup> Paragraph 8 of the Patent Court’s Guide. Available at [http://www.ipla.org.uk/papers/20080131/Patents%20Court%20Guide%202007%20\\_GT\\_pw\\_%20v%203.pdf](http://www.ipla.org.uk/papers/20080131/Patents%20Court%20Guide%202007%20_GT_pw_%20v%203.pdf) (Last Accessed: 30 November, 2012).

<sup>68</sup> Supra note 66 (S.Moore) at 117; Kimberlee Weatherall, Elizabeth Webster, and Lionel Bently. “IP Enforcement in the UK and Beyond: A Literature.” (2009). Available at <http://www.ipria.com/publications/occasional-papers/IPRIA%20OP%2001.09.pdf> (Last accessed: 20 January, 2013). Weatherall et al. at 45 point out that an empirical study is required if Moore’s claim is to be supported. See also Christian Helmers and Luke McDonagh. “Patent Litigation in the UK.” *UKIPO unpublished report* (2012) who provide detailed statistics and observe that there has been a drop in the number of settlements which the introduction of the streamlined procedure, thus suggesting that the procedure may be utilised more often than was thought. Available at [http://www.lse.ac.uk/collections/law/wps/WPS2012-12\\_Mcdonagh.pdf](http://www.lse.ac.uk/collections/law/wps/WPS2012-12_Mcdonagh.pdf) (Last accessed: 20 January, 2013).

time to explore out-of-court options such as alternative dispute resolution.<sup>69</sup> Secondly, the proceedings may put a defendant at a disadvantage due to the fact that they may not have adequate pre-trial time to prepare a defence, while the plaintiff may have been preparing for months, or even years, with the intention to take the defendant by surprise.<sup>70</sup> However, these problems are not insurmountable and are able to be resolved through the court's discretion to either streamline the proceedings or proceed in the regular fashion.

*i. Issues and benefits of a specialised court system*

The United Kingdom is not the only country to have established a specialised patent or intellectual property court system- the list ranges from Thailand to Kenya to Malaysia, and is continually growing as countries see the potential gains of establishing a specialist IP court.<sup>71</sup> The United Kingdom's patent court is one of the oldest specialised and noteworthy courts which has provided the model for many countries to follow.

A recent study by the International Intellectual Property Institute<sup>72</sup> revealed that there are significant benefits to establishing a specialised court system. To begin with, by establishing specific IP or patent courts, a limited amount of judges are exposed to far more IP cases than they would have been if they had remained in a generalist court. The benefit of this is twofold. Firstly it leads a higher quality of decision making. Secondly it allows for more consistency in intellectual property law.<sup>73</sup> The downstream benefits of this are greater levels of predictability of case outcomes for litigants; increased efficiency and accuracy resulting in reduced court time and costs<sup>74</sup>; by

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<sup>69</sup> Ibid.

<sup>70</sup> Ibid.

<sup>71</sup> Professor R.W. Zuallcobley et al. 'Study on Specialised Intellectual Property Courts' (January, 2012) *International Intellectual Property Institute*. Available at <http://iipi.org/wp-content/uploads/2012/05/Study-on-Specialized-IPR-Courts.pdf> (Last Accessed: 30 November, 2012).

<sup>72</sup> Ibid.

<sup>73</sup> Supra note 71 (Zuallcobley) at 5-6.

<sup>74</sup> A 2005 survey revealed that while England remained the most expensive country in Europe for patent litigation, the costs of litigation were significantly lower than in the USA

having a specialised court there is a requirement that judges ensure that they are up to date on all relevant intellectual property law- this requires greater levels of training thus creating a greater awareness of intellectual property rights in the legal community; and finally by having a specialist IP court, a country may reduce the caseload or court roll of generalist courts thus allowing for greater access to justice.<sup>75</sup>

A specialist court or tribunal is however not without its disadvantages. Many of the disadvantages that arise from specialist IP courts are particularly pertinent to developing countries. Firstly, the establishment of a specialised court will require a great deal of training of judges, clerks and other administrative assistants.<sup>76</sup> The cost of establishing the court may reduce necessary funding for generalist courts and thus may reduce access to justice for other litigants. In developing countries, it would also be necessary to evaluate whether or not it is necessary to have a specialist IP court since the caseload may not justify the establishment of one.<sup>77</sup>

Perhaps one of the greatest concerns raised for the establishment of specialist intellectual property court, regards the isolation of the court and judges from other areas of law.<sup>78</sup> There appear to be fears, especially in the United States, that the isolation of judges from general law will lead intellectual property law in a direction that may be contrary to the general field of law.<sup>79</sup> Generalist judges are often seen as coming to court without any preconceptions or bias and thus can attach the appropriate weight to evidence before them- the fear in the case of IP isolation is that judges will

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[Supra note 2 (Wolff)]. Hoffman J on the other hand argued that the costs associated with specialised courts may not in fact be any less than a generalist court and may in some cases add to wasted expenses.

<sup>75</sup> Supra note 71 (Zuallcoble) at 5-6.

<sup>76</sup> Intellectual Property & Entertainment Committee (International Bar Association) 'International Survey of Specialised Intellectual Property Courts & Tribunals' (2007) at 28. Available at <http://www.ibanet.org> (Last Accessed: 30<sup>th</sup> November, 2012).

<sup>77</sup> Ibid.

<sup>78</sup> Supra note 50 (Pegram) at 787. Mark Janis. "Patent Law in the Age of the Invisible Supreme Court." (2001) *University of Illinois Law Review* 387 at 396, *Forthcoming* (2001).

<sup>79</sup> Ibid.

no longer possess this ability and thus may decide the case incorrectly.<sup>80</sup> The familiarity between judges and those prosecuting IP matters has also created concerns that a certain level of informality may develop between judges and practitioners that may allow for a certain amount of special interest manipulation.<sup>81</sup>

The fear of isolation, coupled with the fact that many patent cases are later appealed to generalist courts of appeal, means that specialised courts may simply present another obstacle for patent litigates to jump over. However, that being said, it is submitted that the benefits that accrue, in terms of the efficiency, effectiveness and expertise as a result of specialist courts, far outweigh the potential isolation issue, which can be ameliorated through the use of training and greater communication between the different judicial branches.<sup>82</sup>

Considering the above advantages that seem to accrue from having a specialist intellectual property court, it is surprising then that South Africa appears to have moved from a “specialist” court position, historically, to a much more generalist position in recent times.

#### *D. “Generalist” Intellectual Property Court Systems: The South Africa position*

The 1952 Patents Act (later repealed by the 1978 Patents Act<sup>83</sup>) created a special court of first instance- the Court of the Commissioner of Patents.<sup>84</sup> Section 8 of the 1978 Patents Act states the following:

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<sup>80</sup> Ibid; R.S Goldstein et al ‘Specialized Intellectual Property Trial Courts Around the World’ (2006) 18.10 *Intellectual Property and Technology Law Journal* 1 at 5.

<sup>81</sup> Ibid.

<sup>82</sup> Supra note 76 (International Survey) at 29.

<sup>83</sup> No. 57 of 1978.

<sup>84</sup> Louis Harms & Owen Dean ‘South Africa’ in Professor R.W. Zuallcobley et al. ‘Study on Specialised Intellectual Property Courts’ (January, 2012) *International Intellectual Property Institute*. Available at <http://iipi.org/wp-content/uploads/2012/05/Study-on-Specialized-IPR-Courts.pdf> (Last Accessed: 30 November, 2012) at 105.

“The Judge President of the Transvaal Provincial Division of the Supreme Court of South Africa shall from time to time designate one or more judges or acting judges of that Division as commissioner or commissioners of patents to exercise the powers and perform the duties conferred or imposed upon the commissioner by this Act.”

The section, in essence, allows for the appointment of judge from the North Gauteng High Court (formerly known as the Transvaal Provincial Division) to be appointed to hear matters relating to intellectual property and in particular patents.<sup>85</sup> The idea was to create a specialised court that was to be overseen by a judge with a specialised background.<sup>86</sup> The court was to be chaired by the Commissioner of Patents who was intended to have specialised knowledge in intellectual property law and thus be capable of rendering quality and consistent decisions in this regards<sup>87</sup>. Historically this was the case, in which the general trend was to appoint a judge who had experience in intellectual property matters.<sup>88</sup> However, today it would appear that all judges are deemed fit to adjudicate intellectual property matters and are seemingly appointed on an *ad hoc* basis.<sup>89</sup>

The notion then that the Court of the Commissioner of Patents is a “specialised court” has often been conceived as being a misnomer.<sup>90</sup> That being said, a survey of the cases of the Court of the Commissioner of Patents for the years 2005-2010 reveals that there was a certain degree of consistency in appointing a particular judge to adjudicate patent matters.<sup>91</sup> However, in 2011-2012, there does not appear to be any established pattern in the appointment of the Commissioners and more importantly Judge Southwood, who adjudicated the majority of the cases for the years 2005-

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<sup>85</sup> Timothy D. Burrell “Chapter 2: The Application- the patent office and court in general” in *Burrell’s South African Patent and Design Law* (1999: Butterworths Publishers).

<sup>86</sup> *Ibid.* Supra note 84 (Dean) at 105-106.

<sup>87</sup> *Ibid.*

<sup>88</sup> *Ibid.*

<sup>89</sup> *Ibid.*

<sup>90</sup> *Ibid.*

<sup>91</sup> Information taken from the database of the Court of the Commissioner of Patents. Available at <http://www.saflii.org/za/cases/ZACCP>. In the years 2005-2010 the Honourable Judge Southwood was appointed to hear the majority of the patent cases in the Court of the Commissioner of Patents.



2010, has not been reappointed as Commissioner.<sup>92</sup> It is unclear why South Africa has strayed away from appointing a specialised patent commissioner, but it may be as a result of the paucity of intellectual property cases, or as a result of a lack of resources in terms of time and finance that prevent the justifiable appointment of a permanent IP specialist judge.

*i. Is a dedicated, fulltime, specialist intellectual property court required in South Africa?*

While the Commissioner of Patents is appointed in terms of the Patents Act, their jurisdiction extends beyond the adjudication of patent matters. In particular the Copyright Right<sup>93</sup> in Chapter Three<sup>94</sup> provides for the establishment of a Copyright Tribunal. Section 29 (1) states that:

“The judge or acting judge who is from time to time designated as Commissioner of Patents in terms of section 8 of the Patents Act, 1978, shall also be the Copyright Tribunal (in this Chapter referred to as the tribunal) for the purposes of this Act.”

The Commissioner of Patents must thus oversee both patent litigation, while at the same time be responsible for adjudicating matters concerning copyright. The Trade Marks Act<sup>95</sup>, on the other hand, gives the Registrar of Trademarks, in proceedings before him, the same power as a single judge of Gauteng North High Court.<sup>96</sup> The Trade Marks Act, however, also allows for recourse and appeal to the Gauteng North High Court from any decision or order of the Registrar.<sup>97</sup> The Act gives the Gauteng North High Court extensive powers to review, vary or reverse the order or decision of the

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<sup>92</sup> Ibid.

<sup>93</sup> No 98 of 1978.

<sup>94</sup> Section 29

<sup>95</sup> No.194 of 1993.

<sup>96</sup> Section 45(1) of Act No194 of 1993.

<sup>97</sup> Section 53(1) & 53(2).

Registrar<sup>98</sup> and at the same time provides that no leave to appeal is necessary in order to approach the High Court.<sup>99</sup> The result is that many trade mark matters end up in the High Court, further burdening the court in terms of the current backlog.

The result of the above three mentioned Acts-the Patents Act, Copyright Act and Trade Marks Act- is that the Gauteng North High Court is straddled with a significant burden when it comes to adjudicating matters concerning intellectual property. The issue that arises is that, at present, the High Courts of South Africa are already dealing with a significant backlog of cases.<sup>100</sup> A survey conducted of the Court Roll for the North Gauteng High Court for the month of September revealed that on average over 90 civil trials are entered into the roll on any given day.<sup>101</sup> This is particularly significant due to the time sensitive and complex nature of intellectual property disputes. Intellectual property disputes often need to be heard in an urgent fashion as any undue delay may result in a devaluation of the property or a may render the technology or trademark obsolete. The question that arises is whether it would be justified, in terms of present and future intellectual property caseloads, to establish a permanent intellectual property court or tribunal much like has been established in terms of the Competition Act.<sup>102</sup> One of the issues that could be raised with regards to the establishment of a specialised court- as previously mentioned- is one of the costs of running such court in terms of administration and training<sup>103</sup> of specialised judges. Furthermore, with the current backlog of cases in South African High Courts, a move to establish a separate and permanent intellectual property court may take away from much needed resources for the administration of justice in South Africa.

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<sup>98</sup> Section 53(3)(a).

<sup>99</sup> Section 53(4)(a).

<sup>100</sup> Supra note 4 (Case Backlog Project).

<sup>101</sup> Independent research of North Gauteng High Court Roll. Available at <http://www.saflii.org.za/za/other/ZAGPPHCRolls/2012> (Last Accessed: 30th November, 2012).

<sup>102</sup> Section 26 and section 36 of the Competition Act No.89 of 1998 provides for the establishment of a Competition Tribunal and Competition Court of Appeal respectively.

<sup>103</sup> The South African Judicial Education Institute Act No.14 of 2008 provides for the establishment of the a judicial training institute that could be utilised to train specialised intellectual property judges to oversee an intellectual property tribunal.

The solution then to reducing the caseload of the North Gauteng High Court, and the arduous nature of intellectual property litigation in South Africa and other foreign jurisdictions, lies perhaps not in the establishment of specialised courts, but rather within the existing structures and expertise of those most familiar with intellectual property law. For many years the debate surrounding whether intellectual property disputes should be adjudicated by experts in the field, and not judges, has been raging on in academic spheres. In particular, the focus has been on whether alternative dispute resolution mechanisms, such as mediation and arbitration, in intellectual property disputes hold the key to establishing a more efficient and effective system of adjudication of intellectual property disputes.

*E. The issues common to all three court systems in terms of IP*

From the survey of the above three judicial systems, particular issues or concerns appear to arise in each of the systems. First and foremost, intellectual property litigation in each of the systems appears to take an inordinate amount of time and costs the litigants not only a substantial amount of money but also causes them to lose out on a large amount of time in terms of the monopoly over their innovation. This results in lost opportunities for the right holder and also may affect downstream innovation and competition. The issue of time and costs is compounded by the backlog in all three of the above jurisdictions which further add to wasted time and business opportunities for right holders. Secondly, there are concerns surrounding the quality of decisions in the above court system. This concern is not as prevalent in the UK system, which has specialised judges, but is a particular concern in the jury court system and generalist court system where decisions are rendered by non- specialist judges and juries. The result is that decisions may be inconsistent and random resulting in a lack of predictability for IP litigants.

In Chapter Three the paper will examine and present an overview of alternative dispute resolution mechanism. It will be argued that the

mechanisms available in ADR can effectively reduce the concerns related to time, costs, and decision quality.

# Chapter 3: Alternative Dispute Resolution in Intellectual Property Disputes

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Intellectual property protection and court systems have been around for hundreds of years and have served most right-holders well. Technology and business competition during the early stages were often slow to develop and thus courts operated in an efficient and effectively manner.<sup>104</sup> However, in the last hundred years or so, technology and businesses have developed at an exponential rate and have moved from a solely domestic marketplace to one that is global in nature- the result being that intellectual property disputes have become more complex and technical.<sup>105</sup> The rapid development of technology and exchange of ideas has further been fuelled by creation of the Internet which allows for global dissemination of information to millions of users at the click of a button. While technology has the ability to change overnight, legal systems are slow to develop. It is this characteristic of the legal system that has often lead to the criticism that judges, juries, and the legal system itself, may be rendering under-informed and misguided decisions.<sup>106</sup>

Intellectual property, by its nature, is only valuable for a limited amount of time. Legal systems give the creator a limited amount of time to exploit their innovation or creation, after which time the asset falls into the public domain to be freely utilised and exploited by any number of persons. Thus intellectual property assets can in many ways be considered to be wasting assets as they steadily depreciate in value from the moment that the initial exclusive right of exploitation is granted.<sup>107</sup> Time then is often, or at least

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<sup>104</sup> Steven J.Elleman 'Problems in Patent Litigation: Mandatory mediation may provide settlements and solutions' (1996-1997) 12 Ohio St. J. On Disp.Resol.759 at 759.

<sup>105</sup> Ibid.

<sup>106</sup> Ibid.

<sup>107</sup> Julia A. Martin 'Arbitrating in the Alps Rather Than Litigating in Los Angeles: The Advantages of International Intellectual Property-Specific Alternative Dispute Resolution'

should be, the primary concern of any parties to an intellectual dispute. The complexity of intellectual property disputes, in particular patents, and the rigid and bureaucratic structure of court systems does not lend itself, in many cases, to the timely resolution of disputes. There has thus in recent times been a growing affinity towards the use of alternative dispute resolution mechanism like mediation and arbitration to reduce not only the time involved in the resolution of IP disputes but also the reduction of the costs involved therein.

While Chapter 2 has already discussed the deficiencies in the current court systems, this Chapter will focus, firstly, on the particular nature of intellectual property litigation and its implications for right holders. The Chapter will then present an overview of alternative dispute resolution and the range of mechanisms available for intellectual property law. Furthermore, an analysis will be conducted of the advantages and disadvantages of ADR in light of the changing nature of intellectual property in both South Africa and the international sphere. Finally, a comparative analysis and survey will be done of the attitudes and current developments in ADR in the international environment and how these compare to the current South African position.

*A. Intellectual Property Litigation: A tool for protection or a thorn in the flesh for right holders?*

*i. Potential drawbacks surrounding litigation in IP disputes.*

Intellectual property litigation, and in particular patent litigation, today often produces unpredictable results.<sup>108</sup> The quality of decisions and orders of judges in jurisdictions all over the world, in large, depends on the particular

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(1997) 49(4) *Stanford Law Review* 917 at 928. Supra note (Elleman) at 761. Time factors are more pertinent to patents and trademarks than copyright. The reason being that the term of copyright is significantly longer than that of patents and trademarks.

<sup>108</sup> Supra note 107 (Martin) at 930.

judge's previous exposure or knowledge of intellectual property.<sup>109</sup> The unpredictability of decisions and verdicts of decisions, as pointed out in Chapter Two, only increases with the introduction of a jury of lay persons who are often completely unversed in intellectual property law. Chapter Two furthermore pointed out many concerns with regard to the potential drawback in time and costs, as well as lost opportunities that result from the bureaucratic natures of the jury system, the specialised court system and the generalist system. The result is that poor decision making not only results in unpredictable results but also is extremely costly to the litigants.

a. The time implications of IP litigation.

In order to present evidence to courts in a thorough and, perhaps, simplified manner, there is a need for a protracted and intensive discovery phase, coupled with the use of expert witnesses to explain and confirm the evidence before the court- all of which take an inordinate amount of time.<sup>110</sup> The process, furthermore, does not end at the discovery, or even the trial phase, but may continue on to an appellate division which further prolongs the dispute and serves to diminish the value of the intellectual property asset and time available to the right holder to exploit their limited monopoly.<sup>111</sup>

Time, as they say, costs money and in intellectual property litigation this cannot be closer to the truth. Patent litigation in particular is one of the most expensive forms of litigation in the US with the median cost in the discovery phase being around \$458,000 and the cost for a trial in the region of \$752,000.<sup>112</sup> While fees such as these may be an insignificant amount for multibillion dollar companies in comparison to what they may potentially lose

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<sup>109</sup> Nancy Olson. "Does Practice Make Perfect-An Examination of Congress's Proposed District Court Patent Pilot Program." (2007) 55 *UCLA L. Rev.* 745.

<sup>110</sup> Supra note 104 (Elleman) at 762. Elleman (Supra note 104 at 765) points out that the average time to resolve a patent infringement suit from filing to final appellate determination can be over one third of the life of the patent.

<sup>111</sup> See Roberto Mazzoleni & Richard R. Nelson. "The benefits and costs of strong patent protection: a contribution to the current debate." (1998) 27 (3) *Research policy* 273-284; James Bessen & Michael Meurer. "The private costs of patent litigation." (2008) *Boston University School of Law Working Paper* 07-08.

<sup>112</sup> Supra note 107 (Martin) at 924.

in revenue, these astronomical fees may serve to cripple smaller companies resulting in a potential loss of innovation or a loss of competition in a particular market.<sup>113</sup>

b. Loss of innovation and competition

The adversarial nature of litigation normally results in a win/lose outcome.<sup>114</sup> Furthermore, due to the unpredictable nature of IP disputes, who the winner will be and who the loser may be is often indeterminate. Parties thus take a huge risk when deciding to pursue litigation- patent holders may have their patents invalidated and infringers may lose their usage of a particular product. The parties will thus often choose to withhold production or development of a particular product pending the outcome and this results in “lost opportunities” for the parties -especially in rapidly advancing technological markets- as well as stifles innovation and development of technology in the marketplace.<sup>115</sup>

The cost and risk of intellectual property litigation is thus extremely high at the trial phase of the dispute. However, in many cases<sup>116</sup> the parties to litigation choose to settle before the trial phase but not before they have wasted potentially millions on the discovery process.<sup>117</sup> A financially weaker party may experience extreme financial difficulty during the discovery phase and may thus be forced to settle on lesser terms than they may have received in court in order to avoid outright bankruptcy.<sup>118</sup> Litigation costs thus have the potential to be used as an extremely effective weapon to either force settlement or even exclude one’s competition.<sup>119</sup> In this context, the

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<sup>113</sup>Supra note 7 (Balmer) at 145.

<sup>114</sup> David W. Plant *We Must Talk, Because We Can: Mediating International Intellectual Property Disputes* (2008) International Chamber of Commerce Publications: Paris at 15.

<sup>115</sup> William F. Heinze ‘Patent Mediation: The forgotten alternative in dispute resolution’ 1990 18 AIPLA Q. J. 333 at 344; Supra note 94(Elleman) at 761.

<sup>116</sup> According to Balmer (Supra note 7) nineteen out of twenty court actions are resolved before trial in the United States.

<sup>117</sup> Supra note 7 (Balmer) at 146.

<sup>118</sup> Ibid.

<sup>119</sup> Ibid; Roger D. Blair, and Thomas F. Cotter. “Are settlements of patent disputes illegal per se.” (2002) 47 *Antitrust Bull.* 491.



manipulative nature of litigation can often lead to a poor form of justice in intellectual property disputes.

Litigation therefore only favours the winner and comes at great expense to the loser but in some cases it may be detrimental to the winner as well. While litigation may allow the winner exclusive rights to the intellectual property asset, damages, rights of use or a variety of other remedies, a court cannot, firstly, ensure the continued business relationship between parties and, secondly, mitigate any bad publicity that may arise as a result of the lawsuit.<sup>120</sup> Business relationships today are particularly important especially in the technological sphere. The most recent example of the potentially disastrous effects of patent litigation on business relationships is the *Apple v Samsung* litigation.<sup>121</sup> While Apple may have won a significant damages award from the lawsuit, Samsung continues to supply chips for their iPhone and iPad products, as well as the displays used within these products.<sup>122</sup> There have however been reports that their relationship is beginning to erode.<sup>123</sup> This breakdown in business relationship may have disastrous effects not only on Apple's ability to supply their products at their current prices, but also may have an effect on consumers and the smartphone industry as a whole.<sup>124</sup>

## ii. *The benefits of intellectual property litigation*

It has been argued that intellectual property disputes can have many negative effects on the parties, innovation and consumers, but while these

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<sup>120</sup> Kevin M. Lemley 'I'll Make Him an Offer He Can't Refuse: A proposed model for alternative dispute resolution in intellectual property disputes' (2004) 37 *Akron L. Rev.* 287 at 315-316.

<sup>121</sup> Supra note 5.

<sup>122</sup> Miyoung Kim 'Analysis: Friend and foe; Samsung, Apple won't want to damage parts deal' (27 August, 2012) *Reuters*. Available at <http://www.reuters.com/article/2012/08/27/us-samsung-apple-supply-idUSBRE87Q06N20120827> (Last Accessed 7th December, 2012).

<sup>123</sup> Darrell Etherington 'Apple reportedly changes battery supplier as Samsung walks' (23rd November, 2012) *TechCrunch*. Available at <http://techcrunch.com/2012/11/23/apple-reportedly-changes-battery-suppliers-as-samsung-walks> (Last Accessed 7th December, 2012).

<sup>124</sup> While this reasoning is hypothetical, it can be argued that given the history of reliance on Samsung components any move by Samsung to halt such supply will cause Apple a significant amount of inconvenience and additional expense.

negative consequences do exist, it does in some instances have significant benefits for the IP right holder if they achieve a successful outcome.

Validity of intellectual property assets is often the issue at the forefront of any IP dispute - IP litigation provides significant benefits when dealing with this issue. From an IP right holder perspective, a court order confirming the validity of, for instance, a patent acts as a strengthening mechanism.<sup>125</sup> An order of court acts as a precedential mechanism to deter any future challenges from persons wishing to challenge the right holder's intellectual property.<sup>126</sup> The order can thus save a right holder a significant amount of money and time by preventing continual and repeated challenges to the validity of the intellectual property asset.

Another significant benefit of litigation is that an IP right holder may receive full damages from the infringer. This benefit is particularly pertinent in the US where there is the potential for treble damages for wilful infringement.<sup>127</sup> In addition to damages there is also the potential in the US that the litigants may be awarded attorneys fees in exceptional circumstances.<sup>128</sup> The same cannot be said for South African intellectual property law which does not allow for the award of treble damages or attorney's fees in the Patents, Trademarks or Copyright Acts.<sup>129</sup> South African law however does allow for damages as well as the potential for reasonable royalties.<sup>130</sup>

There are thus benefits of pursuing litigation in the case of an intellectual property dispute. However, given the "all or nothing" and "winner and loser" nature of litigation it is submitted that litigation as a "first port of call" is inappropriate for IP disputes. Given the interconnected nature of information and technology today and the drive for rapid technological advancement, the

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<sup>125</sup> Supra note 120 (Lemley) at 310.

<sup>126</sup> Ibid.

<sup>127</sup> The Lanham Act allows courts to award treble damages, but such an award may not constitute a penalty 15 U.S.C. §1117(a) (2001).

<sup>128</sup> 15 U.S.C. § 1117(a) (2001).

<sup>129</sup> The potential for such vast awards in the US is perhaps one of the reasons why patent litigation has been on the rise in recent years See James Bessen and Michael Meurer. "The patent litigation explosion." *Boston Univ. School of Law Working Paper* 05-18 (2005).

<sup>130</sup> Section 65 (6) of the Patents Act (Supra note 11).

time consuming nature and costs involved in litigation coupled with the unpredictability of the outcomes in courts creates an environment of uncertainty and fear that may lead to a lessening of innovation at the grass roots levels and ultimately a lack of competition. Intellectual property disputes however, like all other forms of disputes, are in many cases able to be resolved in a manner that is beneficial to both parties and not only saves time and money but also ensures that a business relationship is not adversely affected due to a misunderstanding or trivial reason. The mechanism to achieve amicable and often just outcomes lies within the mostly underutilised field of alternative dispute resolution.

### *B. Alternative Dispute Resolution: An overview*

In order to understand how alternative dispute resolution (ADR) is suited to the resolution of intellectual property disputes, one must first understand the nature of ADR and the mechanisms that are available to resolve a dispute. Furthermore, as has been identified above there are numerous issues that arise in relation to time, costs and quality of decision making in IP litigation. It is within this context that the advantages and disadvantages of ADR will be examined and critiqued with the argument that the inherent characteristics of ADR are well suited to solving these issues.

Alternative dispute resolution, unlike litigation, is not aimed at an “all or nothing” outcome but rather attempts to resolve the dispute in a manner in which both parties, to some extent, win.<sup>131</sup> This is not to say that the parties will receive everything that they have in mind- in many cases compromises must be made and certain rights limited in some form or manner- however the goal of getting parties to negotiate and develop and identify priorities, allows for an agreement in which both parties can benefit.<sup>132</sup> ADR thus does away with the adversarial nature of litigation and focuses on mutual cooperation.

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<sup>131</sup> Supra note 114 (Plant) at 16; James F. Davis "Judicial Management of Patent Litigation in the United States: Observations from the Litigation Bar." (1999) 9 *Fed. Cir. BJ* 549.

<sup>132</sup> Supra note 115 (Heinze) at 347.

In order for parties to achieve an agreement that is a representation of both of their interests ADR requires the co-operation and engagement of the parties themselves. This is at complete odds with litigation which essentially takes the dispute out of the hands of the parties and places it solely within the hands of the attorneys and court.<sup>133</sup> Parties therefore have very little say in the final outcome of the dispute. However, in order for ADR to be successful, the parties are required to negotiate amicably and attempt to work together to identify their true needs and not simply their wants.<sup>134</sup> The advantage though of ADR is that it allows the parties to negotiate within an environment that is intrinsically flexible allowing parties the opportunity to negotiate in a manner that is not constrained by the usual formal rules of civil procedure.<sup>135</sup> Parties can therefore determine amongst themselves what rules will apply to the negotiation and how the process will play out.

Alternative dispute resolution can be seen as any method of resolving a dispute outside of litigation.<sup>136</sup> ADR traditionally encompasses a variety of negotiation and settlement mechanisms on a continuum from unassisted negotiation and mediation to adjudication and arbitration.<sup>137</sup> ADR can also further be broken down into binding and non-binding processes. Depending on the nature of the dispute, the relationship between the parties and the outcome the parties wish to achieve, the parties to the dispute can choose a method which is best suited to their purposes, allowing them a level of control that is often non-existent in litigation.<sup>138</sup> The subsections that follow will provide a brief overview of the different forms of ADR available to parties. Each mechanism that is present possesses a varying level of party control in terms of the final outcome and therefore has its own benefits and issues.

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<sup>133</sup> *Ibid.*

<sup>134</sup> *Supra* note 114 (Plant) at 13.

<sup>135</sup> *Supra* note 114 (Plant) at 16; Paul D. Carrington. "Civil Procedure and Alternative Dispute Resolution." (1984) 34 *J. Legal Education* 298.

<sup>136</sup> *Supra* note 7 (Balmer) at 149.

<sup>137</sup> Marion M. Lim 'ADR of Patent Disputes: A customised prescription, not an over-the-counter remedy' (2004) 6 *Cardozo J. Conflict Res.* 155 at 163; Miriam R. Arfin 'The Benefits of Alternative Dispute Resolution in Intellectual Property Disputes' (1994-1995) 17 *Hastings Comm. & Ent. L.J.* 893 at 901.

<sup>138</sup> *Supra* note 115 (Heinze) at 340.

*i. Negotiation*

Negotiation, on the one side of the spectrum of ADR mechanisms, is usually unassisted.<sup>139</sup> Generally unassisted negotiation will take place between the parties' lawyers and may occur any time from the time the dispute arises. Often unassisted negotiation can result in an "11<sup>th</sup> hour settlement"<sup>140</sup> at the "courthouse steps".<sup>141</sup> The parties' lawyers will relay their oppositions terms of settlement to the client, who may then choose to counter or accept the terms or offer.<sup>142</sup> Unassisted negotiation however does not allow a great deal of party involvement and it could be argued that a settlement resulting from such negotiation may not necessarily represent the parties interests but rather represent what the attorneys assisting them believe is in their client's best interests.<sup>143</sup>

*ii. Mediation*

Mediation<sup>144</sup>, unlike negotiation, involves the introduction of a neutral third party to assist the parties in coming to a mutually acceptable agreement.<sup>145</sup> The mediator's role is to help parties identify their wants and needs and try to facilitate a discussion in which the parties may be open and honest.<sup>146</sup> While the mediator is there to assist the parties in their communications, it is not the mediator's role to decide the issues or determine the outcome of the dispute.<sup>147</sup> Mediation, like negotiation, is considered to be non-binding on the parties.<sup>148</sup> The non-binding nature of mediation allows parties the opportunity to keep the prospect of litigation open while at the same time often allowing

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<sup>139</sup> Supra note 137 (Arfin) at 901.

<sup>140</sup> Supra note 120 (Lemley) at 315-316.

<sup>141</sup> Supra note 137 (Arfin) at 901.

<sup>142</sup> Ibid.

<sup>143</sup> Supra note 137 (Arfin) at 902.

<sup>144</sup> Mediation could in some ways be considered assisted negotiation.

<sup>145</sup> Ibid.

<sup>146</sup> Ibid. See also David Plant (Supra note 102) at Chapter VII.

<sup>147</sup> Supra note 10 (Elleman) at 770.

<sup>148</sup> Scott H. Blackman & Rebecca M. McNeil 'Alternative Dispute Resolution in Commercial Intellectual Property Disputes' (1997-1998) 47 *Am. U. L. Rev.* 1709 at 1714.

them the opportunity to narrow down the issues in dispute thus saving them time and money at a litigation level.<sup>149</sup>

### *iii. Arbitration and adjudication*

On the other side of the ADR spectrum is the mechanism of arbitration. Arbitration, unlike mediation and negotiation, is generally binding-meaning that it is enforceable in a court of law<sup>150</sup> unless agreed otherwise.<sup>151</sup> The aim of arbitration is to involve a neutral third party or panel, who is required to reach a decision, opinion, or an award, based on the facts and law before them.<sup>152</sup> The arbitrator may be chosen by one party, both parties or may be assigned by an association- this allows the parties the freedom to select an arbitrator who is suited or experienced in the area of intellectual property law in which the dispute has arisen.<sup>153</sup> The role of the arbitrator or panel is, furthermore, not limited to merely reaching a decision. The arbitrator is also responsible for ensuring that the agreed evidential and legal procedures are adhered to, as well as limiting the evidence and representations made by the parties.<sup>154</sup> The decision, award or opinion of the arbitrator, if binding, is final and enforceable as a court order on applicable by the parties.<sup>155</sup> Generally, the arbitrator's decision or award is not appealable to a court of law unless there has been disregard for the law or vital evidence.<sup>156</sup>

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<sup>149</sup> Supra note 137 (Arfin) at 899.

<sup>150</sup> Supra note 104 (Elleman) at 769; Paul Janicke and Roger Borovoy. "Resolving Patent Disputes by Arbitration: An Alternative to Litigation." (1980) 62 *J. Pat. Off. Soc'y* 337 at 342.

<sup>151</sup> Supra note 7 (Balmer) at 150.

<sup>152</sup> Supra note 104 (Elleman) at 768-769.

<sup>153</sup> Supra note 104 (Elleman) at 771.

<sup>154</sup> Supra note 148 (Blackman) at 1713.

<sup>155</sup> Section 31(1) of the Arbitration Act No.42 of 1965; *De Villiers v Stadsraad van Pretoria* 1967 4 SA 533 (T); DW Butler 'Arbitration' *The Law of South Africa* Vol. 1 (2003) at para 601.

<sup>156</sup> Supra note 137 (Lim) at 170. This is also the position in the United States where arbitration agreements are governed by 35 USC § 294(1983) which states:

"An award by an arbitrator shall be final and binding between the parties to the arbitration but shall have no force or effect on any other person. The parties to an arbitration may agree that in the event a patent which is the subject matter of an award is subsequently determined to be invalid or unenforceable in a judgment rendered by a court of competent jurisdiction from which no appeal can or has been taken, such award may be modified by any court of competent jurisdiction upon application by any party to the arbitration. Any such modification shall govern the rights and obligations between such parties from the date of such modification"

In terms of South African Section 3 of the Arbitration Act states:

“1) Unless the agreement otherwise provides, an arbitration agreement shall not be capable of being terminated except by consent of all the parties thereto.

(2) The court may at any time on the application of any party to an arbitration agreement, on good cause shown-

(a) set aside the arbitration agreement; or

(b) order that any particular dispute referred to in the arbitration agreement shall not be referred to arbitration; or

(c) order that the arbitration agreement shall cease to have effect with reference to any dispute referred.”

An arbitration award in South Africa would thus be binding on the parties unless both agree to terminate the agreement or can show good cause for why the arbitration agreement should be set aside.

Adjudication, like arbitration, requires the appointment of a neutral authority to pronounce on the dispute- the most common form of adjudication is that of private judging.<sup>157</sup> Private judging creates a decision that is binding on the parties and the private judge is considered to be the functional equivalent of a public judge.<sup>158</sup> However private judging differs from arbitration in two significant aspects. Firstly, in private judging the parties generally do not select the rules of evidence and civil procedure- these are generally determined by the jurisdiction in which the dispute arises.<sup>159</sup> Secondly, the decision rendered in a private judgment is appealable to a court of law.<sup>160</sup> Like arbitration however, the parties are able to appoint their own judge and

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Available at <http://www.law.cornell.edu/uscode/text/35/294> (Last Accessed 10 December, 2012).

For an in-depth discussion of the reviewability of arbitration awards see Davis, Kenneth R. Davis "When Ignorance of the Law Is No Excuse: Judicial Review of Arbitration Awards." (1997) 45*Buff. L. Rev.* 49.

<sup>157</sup> Supra note 115 (Heinze) at 341.

<sup>158</sup> Supra note 148 (Blackman) at 1714.

<sup>159</sup> Ibid.

<sup>160</sup> Ibid.

thus can benefit from a judge who has expertise that is relevant to the dispute.

*iv. Miscellaneous forms of alternative dispute resolution.*

As has been previously pointed out, ADR must be seen as a continuum ranging from negotiation on the one extreme to adjudication on the other. This continuum in essence represents the differing levels of party autonomy, control and involvement in the process and outcome of the dispute. While mediation and arbitration are the main mechanisms that are utilised in alternative dispute resolution, a variety of other mechanisms are available that may be more suitable to the parties dispute. In terms of non-binding alternatives, one particularly useful mechanism is that of the mock trial. A mock trial in essence allows the parties to present their case to a “judge” or a “jury” who then deliver a judgment based on the evidence, law and arguments before them.<sup>161</sup> Like adjudication the parties are governed by the rules of civil procedure and evidence that would be applicable if the case had gone to trial.<sup>162</sup> The mock trial is a useful mechanism to not only predict or give the parties an idea of the likely outcome of the dispute, but it may also assist in narrowing the issues of disputes as well as facilitating a settlement based on the risks of litigation that may have surfaced during mock trial phase.<sup>163</sup>

Alternative dispute resolution’s inherent flexibility allow the parties to mix and match a range of mechanisms to suit their dispute and customise a process that both parties are comfortable with. The result is that the parties are in control of the outcome and can truly craft an outcome from which both parties can mutually benefit. It is the flexibility and adaptability of ADR that forms the basis for both its advantages and disadvantages in the law of intellectual property law.

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<sup>161</sup> Supra note 148 (Blackman) at 1714.

<sup>162</sup> Ibid.

<sup>163</sup> Ibid.



### *C. The Advantages and Disadvantages of ADR in the Resolution of Intellectual Property Disputes*

As IP litigation becomes more costly and more time consuming disputants are looking to alternatives to resolve their matters in a timely and cost effective manner while at the same time ensuring that the decision is consistent and of an appropriate quality - it is precisely these three factors, *time, cost and quality of decision making*, that form the main focus and benefits of ADR.

#### *i. The benefits of alternative dispute resolution.*

As has been reiterated throughout the previous Chapters, ADR's main focus has been on resolving the issues in litigation in relation to time and cost. While litigation may take several years, it has been submitted by various academics that ADR, if managed correctly, can resolve a dispute in as little as six months.<sup>164</sup> The issues of time and money are always linked in some way or another in intellectual property disputes. By reducing the amount of time spent disputing the matter there is a knock on reduction in cost.<sup>165</sup> Some advocates, as pointed out by Lim, claim that ADR can reduce the parties' costs by ten to fifty percent.<sup>166</sup>

#### *a. Reduction of time and use of experts in resolution*

The reduction in time and costs, for the most part, may be attributed to the ability for parties to select mediators and arbitrators who have relevant experience and expertise in the technical and legal aspects of the dispute.<sup>167</sup> Often the most expensive and time consuming part of litigation, aside from discovery, is the need to educate judges and juries on the technicalities of,

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<sup>164</sup> Supra note 107 (Martin) at 926; Supra note 148 (Blackman) at 771; Kevin R. Casey . "Alternative Dispute Resolution and Patent Law." (1993) *Fed. Cir. B/J3* (1993) 1; Vivek Koppikar. "Using ADR Effectively in Patent Infringement Disputes." (2007) 89 *J. Pat. & Trademark Off. Soc'y* 158 at 163.

<sup>165</sup> Ibid.

<sup>166</sup> Supra note 125 at 170.

<sup>167</sup> Supra note 148 (Blackman) at 1713.

for instance, a patented device. This requires the use of expert witnesses and lengthy opinions which increase the costs for the parties as well as the time.<sup>168</sup> By selecting an expert to adjudicate the matter the parties may reduce the amount of evidence that needs to be presented, thus reducing the amount of time and costs of discovery.<sup>169</sup>

The use of experts as arbitrators results not only in a reduction in time and costs, but also in better decision making.<sup>170</sup> The offshoot of better decision making is twofold. Firstly, better decision making results in a more comprehensive and consistent applicable area of intellectual property law. Secondly, as a result of the above parties are better able to predict the outcomes of disputes which may result in earlier and more amicable settlements which further save time and money.<sup>171</sup>

#### *b. Finality and predictability*

Together with the predictability inherent in a comprehensive and consistent field of law, arbitration provides business owners another form of predictability in the form of a degree of finality to a dispute.<sup>172</sup> Litigation in South Africa comes with the possibility of appeal from the High Court to the Supreme Court and even to the Constitutional Court.<sup>173</sup> Likewise, in the United States the process may take a litigant from a District Court to a Federal Circuit Court and then possibly onto the US Supreme Court. As has been averred to in previous chapters this is an extremely arduous and time consuming process that often wastes up to a third of the granted patent time.<sup>174</sup> Litigation thus provides little predictability as to when a dispute may be finalised- business owners are therefore unable to make informed decisions regarding licensing, distribution, as well as investment in further

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<sup>168</sup> Supra note 104 (Elleman) at 759.

<sup>169</sup> Supra note 104 (Elleman) at 768.

<sup>170</sup> Supra note 137 (Arfin) at 838.

<sup>171</sup> Supra note 120 (Lemley) at 315-316.

<sup>172</sup> Supra note 137 (Lim) at 170.

<sup>173</sup> See for instance *Laugh It Off Promotions CC v South African Breweries International (Finance) BV t/a Sabmark International and Another* 2006 (1) SA 144 (CC).

<sup>174</sup> Supra note 104 (Elleman) at 765.

production or research and development.<sup>175</sup> Arbitration however has limited grounds for appeal or review<sup>176</sup>, ensuring that the parties to the dispute are not at risk of protracted and often anti-competitive litigation. Furthermore, parties to ADR can agree amongst themselves, and with the arbitrator or mediator, on a set date or period within which the dispute must be resolved or the decision must be given.<sup>177</sup> By allowing both parties to control the amount of time for the dispute resolution, and by preventing unnecessary or perhaps unjustified appeals, ADR in many ways also serves to counter the trend of one party using litigation in IP disputes as an anti-competitive weapon to force an unjustified or unreasonable settlement.<sup>178</sup>

*c. Continuing business relationships, disclosure and publicity*

When one looks at the recent case of *Apple v Samsung* it can be argued that three significant co-existent disadvantages of litigation and advantages of ADR emerge. These relate to, firstly, the effect that litigation has on a continuing relationship between existing business partners; secondly, the requirement for full disclosure of all information relating to the intellectual property asset in a court of law; and thirdly, the negative publicity that surrounds a case such as *Apple v Samsung*. Business relationships between major manufacturers today are of the utmost importance.<sup>179</sup> Cross licensing and joint research and development arguably allows technology to advance at a rate that could never be imagined if attempted at an individual level. The non-adversarial nature of ADR, especially mediation and arbitration, is well placed to resolving disputes, while at the same time focussing on the

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<sup>175</sup> Supra note 137 (Lim) at 170.

<sup>176</sup> Essentially only allowing for review or appeal based on a failure to apply the relevant law or by showing 'good cause'

<sup>177</sup> Supra note 107 (Martin) at 920; Craig Metcalf 'Resolution of Patent and Technology Disputes by Arbitration and Mediation: A View from the United States' (2008) 74 *Arbitration* 385-394 at 388.

<sup>178</sup> See Hubert Hovenkamp, Mark Janis, and Mark A. Lemley. "Anticompetitive Settlement of Intellectual Property Disputes." *Minn. L. Rev.* 87 (2002): 1719 for an in-depth discussion of the principles applicable in terms of antitrust law and the settlement of IP disputes; Supra note 107 (Martin) at 935.

<sup>179</sup> See, Maria Bengtsson & Sören Kock. "Cooperation and competition in relationships between competitors in business networks." (1999) 14.3 *Journal of Business & Industrial Marketing* 178-194.

preservation of the existing relationship between the parties.<sup>180</sup> The parties are encouraged to engage one another in reasoned debate and work towards a solution that meets both of their needs. By allowing the parties the flexibility to choose how they wish to go about resolving the dispute and what they would like the outcome to be<sup>181</sup>, parties are able to walk away from the dispute with a potential “win-win” award that does not make one party feel inferior and thus tarnish the existing and future business relationship.<sup>182</sup>

While patents require the full disclosure of the design and purpose of the innovation in order for an ordinary person skilled in the arts to manufacture the innovation, intellectual property law does not require the patentee, for instance, to disclose sales related to the innovation, methods of marketing or which parts of the product/innovation are under a cross licence. However, when parties choose to pursue litigation, such aspects or even certain “trade secrets” may be required by the court to be disclosed as part of the evidence relevant to the dispute. Parties therefore run the risk of losing their competitive edge or information that they wished to keep secret. ADR however guards against this by ensuring that any material disclosed during the mediation and arbitration is kept confidential<sup>183</sup> and, furthermore, in the US the material disclosed may not be used as evidence in subsequent court proceedings- this is especially in the case of mediation.<sup>184</sup> The decisions made by the arbitrator as well as the parties are also held in confidence and are not generally accessible by the public.<sup>185</sup> Alternative dispute resolution protects not only the sensitive information involved in the dispute but also serves to protect against negative publicity that may result due to expensive, prolonged and aggressive litigation. By resolving the dispute in quiet, and

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<sup>180</sup> Carmen Collar Fernandez & Jerry Spolter ‘International Intellectual Property Dispute Resolution: Is mediation a sleeping giant’ (1998) 53 *Dispute Resolution Journal* 62 at 63-64.

<sup>181</sup> This is especially the case in mediation.

<sup>182</sup> Supra note 137 (Lim) at 171.

<sup>183</sup> American Arbitration Association ‘Arbitration, Mediation and other forms of Alternative Dispute Resolution – Code of Ethics for Arbitrators in Commercial Disputes,’ (2011) Canon VI Available at [http://www.adr.org/aaa/ShowProperty?nodeId=%2FUCM%2FADRSTG\\_003867&revision=latestreleased](http://www.adr.org/aaa/ShowProperty?nodeId=%2FUCM%2FADRSTG_003867&revision=latestreleased). (Last accessed: 23 January, 2013).

<sup>184</sup> Supra note 137 (Lim) at 163.

<sup>185</sup> Supra note 183 (AAA)

outside the public and media domain, a company may not only protect its intellectual assets, but may also ensure that it does not tarnish its reputation or adversely affect consumer and investor confidence in the company.

Alternative dispute resolution thus offers significant benefits for parties to intellectual property disputes who choose to pursue this route as opposed to litigation. ADR however is not without its disadvantages as many of the benefits of the ADR have also been criticised as being a “double-edged sword”.<sup>186</sup>

#### d. *Choice of law*

With IP disputes becoming more international in nature, ADR holds significant advantages for disputes that are multijurisdictional in nature. For instance under the WIPO Arbitration Rule the parties are free to choose which law will be applicable to substance of the dispute.<sup>187</sup> ADR is thus well suited to multi-jurisdictional disputes as it allows parties the freedom to choose amongst themselves which aspects of their own domestic law or foreign law will apply to the dispute, thus eliminating any home advantage or the confusion that often arises due to a conflict of laws.

#### ii. *The Disadvantages of Alternative Dispute Resolution*

While the benefits of alternative dispute resolution are many and may greatly help parties to an intellectual property dispute to save time and money, ADR if used incorrectly or in an abusive manner may have significant disadvantages for the parties.

Alternative dispute resolution, and especially mediation, is predicated on the assumption that parties come to the table voluntarily and with a willingness to negotiate and resolve the dispute in an efficient, effective and amicable

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<sup>186</sup> Supra note 137 (Lim) at 176.

<sup>187</sup> WIPO Guide to Arbitration pg 12. Available at [http://www.wipo.int/freepublications/en/arbitration/919/wipo\\_pub\\_919.pdf](http://www.wipo.int/freepublications/en/arbitration/919/wipo_pub_919.pdf) (Last accessed 23 January, 2013)

manner.<sup>188</sup> This may not always be the case and parties may in certain cases use alternative dispute resolution as a delaying tactic.<sup>189</sup> The use of such tactics is, arguably, more likely to arise in non-binding alternative dispute resolution where parties may negotiate for many months under the auspices that the negotiation is being conducted with a genuine intent to settle or resolve the dispute while secretly harbouring an intention to reject any non-binding award or agreement. While it would be difficult to distinguish when parties harbour such intentions and when there is a genuine breakdown of communications, non-binding ADR holds the potential to be exploited in a malicious way.<sup>190</sup>

The characteristic flexibility of ADR that allows the parties a significant amount of control in the determination of the procedures to apply to the dispute, as well as what evidence may be presented, has also been criticised by many academics. The problem that arises due to a lack of formal rules of evidence and civil procedure is that the proceedings, in mediation and arbitration, may turn into “battle of the experts”<sup>191</sup> which may destroy all the advantages of ADR such as a reduction in time and costs.<sup>192</sup> The experts during this “battle” and the process of arbitration may also give a “junk science” testimony.<sup>193</sup> The concern, as identified by Lim and Paradise, is that “junk science” testimony is highly unreliable but is highly effective in convincing arbitrators of the validity of the propositions that are set forth.<sup>194</sup> However, the above concern is not only present in alternative dispute resolution but has also been identified in expert testimony in civil trials.<sup>195</sup>

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<sup>188</sup> Supra note 7 (Balmer) at 150.

<sup>189</sup> Lucy V. Katz "Compulsory alternative dispute resolution and voluntarism: two-headed monster or two sides of the coin" (1993) *J. Disp. Resol.* 1 at 39.

<sup>190</sup> Ibid.

<sup>191</sup> Supra note 137 (Lim) at 179. A. Paradise "Arbitration of Patent Infringement Disputes: Encouraging the Use of Arbitration Through Evidence Rules Reform." (1995) 64 *Fordham L. Rev.* 247 at 272

<sup>192</sup> Ibid.

<sup>193</sup> Ibid.

<sup>194</sup> Ibid; Supra note 191 (Paradise) at 272.

<sup>195</sup> Dan Quayle. "Civil justice reform." (1991) 41 *Am. UL Rev.* 559 at 565.

Critics of ADR argue that the effect of junk science and its introduction to dispute can however be controlled by the rules of civil procedure.<sup>196</sup>

The possibility of the introduction of “junk science” may be counteracted by ensuring that arbitrator, or mediator, is an expert in the relevant field and thus will not be swayed by false science. However, the introduction of an expert arbitrator to ADR proceedings is not without its issues. The criticism of the use of experts in ADR proceedings is much the same that is raised with the use of expert juries in intellectual property cases-the issue relates to one of neutrality.<sup>197</sup> The criticism that arises is twofold. Firstly, there is the fear that an expert arbitrator may not be able to give a neutral decision due to his inherent biases or knowledge of the area of innovation. The parties thus run the risk that the expert may misinterpret any evidence that is given, or may have an existing impression or bias based on their own experience. The second risk that arises is with the appointment of the expert arbitrator.<sup>198</sup> Arbitrators may be party picked and unless both parties are involved in the appointment process, one party runs the risk that the other may appoint an arbitrator who is more sympathetic to them or may construe the dispute in a manner that benefits the appointing party.<sup>199</sup>

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<sup>196</sup> For instance the Federal Rules of Evidence and Federal Rules of Civil Procedure in Court in the United States. Federal Rule of Evidence 702 states:

A witness who is qualified as an expert by knowledge, skill, experience, training, or education may testify in the form of an opinion or otherwise if:

- (a) the expert’s scientific, technical, or other specialized knowledge will help the trier of fact to understand the evidence or to determine a fact in issue;
- (b) the testimony is based on sufficient facts or data;
- (c) the testimony is the product of reliable principles and methods; and
- (d) the expert has reliably applied the principles and methods to the facts of the case

<sup>197</sup> Supra note 137 (Lim) at 180.

<sup>198</sup> See *Employers Ins. of Wausau v. National Union Fire Ins. Co* 933 F.2d 1481, 1490 (9th Cir. 1991) which states that ‘Familiarity with a discipline,’ while in some aspects a virtue of arbitration, ‘often comes at the expense of complete impartiality.’ *Morelite Constr. Corp. v. New York City Dist. Council Carpenters Benefit Funds*, 748 F.2d 79, 83 (2d Cir.1984). Available at <http://openjurist.org/933/f2d/1481/employers-insurance-of-wausau-v-national-union-fire-insurance-company-of-pittsburgh> (Last accessed: 20 January, 2013).

<sup>199</sup> Ibid.

Critics have thus often seen ADR as providing a “second-class” form of justice.<sup>200</sup> This criticism is based on a number of reasons. Firstly, the basis of negotiation in ADR, and in particular mediation, requires that the parties, in order to reach an agreeable settlement, give up or sacrifice certain rights or privileges that may have been enforceable if they decided to proceed with a litigation route.<sup>201</sup> Secondly, as has already been mentioned, ADR lacks the procedural safeguards that are present in traditional intellectual property disputes.<sup>202</sup> This latter concern is compounded by the limited grounds of appeal or review that is inherent, in particular, to binding arbitration.<sup>203</sup> By limiting the grounds of the review and appeal, coupled with the rule against presenting evidence disclosed in ADR proceedings in subsequent proceedings, the parties are required to place a great deal of trust and faith in the chosen arbitrator’s skills, knowledge, neutrality and experience and without adequate safeguards to evaluate these aspects there is the potential for abuse.

Finally, critics of ADR have raised an issue regarding the confidentiality of ADR outcomes and proceedings. Intellectual property and patent law in particular requires the full disclosure of all the technical aspects related to the innovation. In addition to this a patent must involve an inventive step, be novel and must be useful.<sup>204</sup> If these requirements are not met, a patent may be declared invalid and the invention is open to use by the public. The issue that arises within ADR is that if the dispute concerns a challenge to the validity of patent, but the parties chose to settle and there is an agreement not to challenge the patent in the future, even if the patent is found to be invalid by the arbitrator it will remain on the patent role despite the parties’ and arbitrator’s knowledge. Furthermore, the public will not be afforded the

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<sup>200</sup> Supra note 115 (Heinze) at 346.

<sup>201</sup> Stephen B. Goldberg, Eric D. Green & Frank EA Sander. "ADR Problems and Prospects: Looking to the Future." (1985) 69 *Judicature* 291 at 293.

<sup>202</sup> Ibid.

<sup>203</sup> Supra note 137 (Lim) at 182.

<sup>204</sup> Patents Act No.57 of 1978, Section 25 (1) states:

“A patent may, subject to the provisions of this section, be granted for any new invention which involves an inventive step and which is capable of being used or applied in trade or industry or agriculture”



opportunity to analyse, criticise or challenge the outcome of dispute as it is held in confidence.

The confidential nature of ADR outcomes and settlements unfortunately holds the potential to be anti-competitive as it may allow the parties to forge anti-competitive settlements and alliances that are based on invalid patents that otherwise would have been declared invalid by a court of law. The result is that such out of court settlements may lead to a greater prevalence of weak and invalid patents that may serve to lessen innovation and competition in a particular technological sector.

Alternative dispute resolution, like litigation, has both its advantages and disadvantages. It is submitted however, that its disadvantages can easily be remedied through the use of proper regulations that set out the procedure to be followed in terms of evidence, the necessity to disclose certain relevant information such as when a patent is found to be invalid, as well as allowing for the appointment of expert arbitrators and mediators by independent third party associations. Despite the negatives that have been identified by critics of ADR, it would appear that the benefits of ADR far outweigh the drawbacks and for this reason there appears to be an increasing acceptance of ADR in other foreign jurisdictions.

*D. The changing international views of alternative dispute resolution in IP disputes.*

The changing nature of intellectual property disputes has led to the development of many organisations whose aim it is to provide viable procedures and resources for the swift resolution of intellectual property disputes. Intellectual property law, and the disputes that arise there from, can no longer be considered to be purely domestic issues. A dispute between companies surrounding a patent that is registered in more than one country raises multi-jurisdictional issues that are a nightmare to even the most seasoned of intellectual property attorneys. Furthermore, due to the highly emotive nature of intellectual property disputes, it is submitted that large

international IP disputes such as the case of *Apple v Samsung*, not only affects the companies involved but affects the economies and consumers of the relevant companies. In this sense a large IP dispute could be considered a technological war between countries. However, unlike the history of actual wars, which always encourage countries to come to the table and negotiate prior to launching a full blown attack, intellectual property law has seemingly encouraged parties to go to war without even contemplating the notion of negotiation. In recent times though there has been a move towards the establishment of international organisations that encourage and provide the means for parties who wish to pursue ADR.

The most significant of these organisations is the World Intellectual Property Organisation's (WIPO) Arbitration and Mediation Centre, established in 1994.<sup>205</sup> The objective of the centre is to provide for the resolution of intellectual property disputes through alternative dispute resolution.<sup>206</sup> In order to achieve this objective WIPO has developed a number of regulations and procedures that are at the disposal of parties wishing to pursue ADR.<sup>207</sup> The Centre, under the WIPO Rules, provides for three main forms of dispute resolution- mediation, arbitration and expedited arbitration.<sup>208</sup> While submission of disputes to the WIPO Centre is voluntary, once the parties have agreed to submit their dispute they are governed by the WIPO rules which address many of the concerns that have been raised by critics of ADR. For instance, the parties may agree on a sole arbitrator together or, if they choose to have a panel of three arbitrators, then each party selects one arbitrator and those two arbitrators in turn select a presiding arbitrator.<sup>209</sup> This procedure helps to ensure a level of neutrality that may not be achieved in independent arbitration. WIPO also assists parties in other aspects such as setting the fees involved and the time needed for the arbitration and

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<sup>205</sup> World Intellectual Property Organisation 'Dispute Resolution for the 21<sup>st</sup> Century' No. 779E WIPO Online Publication. Available at [http://www.wipo.int/freepublications/en/arbitration/779/wipo\\_pub\\_779.pdf](http://www.wipo.int/freepublications/en/arbitration/779/wipo_pub_779.pdf) (Last Accessed: 18 December, 2012) at 1.

<sup>206</sup> Ibid.

<sup>207</sup> Ibid.

<sup>208</sup> Supra note 186 (WIPO) at 4.

<sup>209</sup> Supra note 186 (WIPO) at 12.

mediation- thus helping to limit the potential for the abuse of ADR by one, or both, of the parties.<sup>210</sup>

The United Nations Convention for the Recognition and Enforcement of Foreign Arbitral Awards of 1958, known as the New York Convention, provides the basis for the enforceability of WIPO arbitrators, and other international arbitration awards.<sup>211</sup> The New York Convention, of which South Africa is a signatory, provides for the recognition and the enforcement of international arbitral awards and decisions in a national court.<sup>212</sup> Furthermore, the Convention provides that where the parties have an existing arbitration agreement, a court must, at the request of one of the parties, refer the parties to arbitration unless the arbitration clause is invalid.<sup>213</sup> While the New York Convention was promulgated many decades ago, and does not specifically deal with intellectual property law, the Convention provides a firm foundation for not only the enforcement of WIPO awards, but also other international organisations such as the International Chamber of Commerce.<sup>214</sup>

The number of contracting parties, numbering more than 145 countries, could be considered an indicator of a general acceptance, internationally, of the need for international and national ADR mechanisms. It appears too that even in the US, which is generally considered to be a high litigious society, courts<sup>215</sup> and companies<sup>216</sup> appear to be more accepting and deferential

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<sup>210</sup>Supra note 186 (WIPO) at 13-14- The general limit for normal arbitration under the WIPO rules is 9-12 months, while the expediated arbitration process is limited to 4 months and is conducted by a sole arbitrator as opposed to a panel. The fees for the expediated procedure are also fixed in the case of dispute of up to \$10 million.

<sup>211</sup>Ibid.

<sup>212</sup>Summary of New York Convention. Available at <http://www.newyorkconvention.org/in-brief> (Last accessed: 20 December, 2012); United Nations Convention for the Recognition and Enforcement of Foreign Arbitral Awards of 1958 (New York Convention- English Text), Article I and Article III. Available at <http://www.newyorkconvention.org/texts> (Last Accessed: 20 December, 2012).

<sup>213</sup>Ibid; New York Convention, Art. II.

<sup>214</sup>ICC Arbitration. Available at <http://www.iccwbo.org/products-and-services/arbitration-and-adr/arbitration/> (Last accessed: 20 December, 2012).

<sup>215</sup>For example, in *In re Medical Engineering Corp* No. 92-M331, 1992 WL 217763 (Fed. Cir. June 12, 1992) the Court of Appeals upheld a district court order staying a patent infringement action in favour of arbitration.

<sup>216</sup>, Thomas J. Stipanowich. "ADR and the "Vanishing Trial": the growth and impact of "Alternative Dispute Resolution". (2004) 1(3) *Journal of Empirical Legal Studies* 843 at 878.

towards ADR. The most recent example of US companies' acceptance of ADR as a viable alternative to litigation are the recent reports that Google and Apple are currently exploring binding arbitration as a way of forging a global solution to their current patent licence disputes.<sup>217</sup> While it is yet to be seen whether these two technological giants will make use of the ADR in the resolution of their dispute, the fact that they are considering such mechanisms is a step in the right direction.

The WIPO Centre provides a viable solution to the resolution of international IP disputes. The Centre has, to date, mediated and arbitrated over 280 cases since 1994.<sup>218</sup> The nature of these disputes includes patents (41%), trade marks (18%) and copyright (8%).<sup>219</sup> The remedies administered in the arbitration proceedings have included traditional remedies such as damages, infringement declarations and specific performance and the value of awards has ranged from several thousands of dollars to millions of dollars.<sup>220</sup> The WIPO Centre thus answers many of the doubts of critics in relation to whether arbitration and mediation are simply a waste of time and effort due to their unenforceability. The WIPO Centre presents a working example of how ADR can successfully be applied to IP disputes and demonstrates that international cooperation in relation to the resolution of IP is certainly possible.

*i. Pro Alternative Dispute Resolution Regions.*

Unlike the United States, Asian countries such as Japan and China are considered to be pro alternative dispute resolution and anti-litigation.<sup>221</sup> This pro attitude stems from the cultural view held by Japan and China that

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<sup>217</sup> Bloomberg 'Apple, Google explore binding arbitration as to settle patent licensing' ( 19 November, 2012. Available at <http://www.wraltechwire.com/apple-avoids-thermonuclear-war-is-settling-htc-patent-dispute/11791364/> (Last Accessed: 20 December, 2012).

<sup>218</sup> WIPO Caseload Summary. Available at <http://www.wipo.int/amc/en/center/caseload.html> (Last accessed: 23 January, 2013).

<sup>219</sup> The remainder of the cases consist of IT law (21%) and Other (17%).

<sup>220</sup> Supra note 216.

<sup>221</sup> Supra note 107 (Martin) at 959.

litigation is “repugnant”.<sup>222</sup> A frequent practice in Japan is to include a clause requiring that the parties to contract, in the event of a dispute, resolve the matter in an amicable fashion.<sup>223</sup> It therefore follows that mediation and negotiation is the first port of call for parties in Japan and China, even if an arbitration clause has been included in the contract. Through the use of mediation and negotiation, the parties are able to preserve their reputation,<sup>224</sup> while at the same time saving existing business relationships. The result is an exceptionally large amount of cases are either referred to the China International Economic and Trade Arbitration Commission, or to Japan's court-administered conciliation system.<sup>225</sup>

*ii. South Africa*

There appears to have been very little done or written in recent times in South Africa on the encouragement of the use of alternative dispute resolution in intellectual property disputes. As was mentioned in previous chapters this could simply be due to the caseload of IP disputes in court systems at present. However, there has been a move towards alternative dispute resolution in other spheres of civil law such as labour and housing. In the labour sphere there has been the establishment of the Commission for Conciliation, Mediation and Arbitration, in terms of the Labour Relations Act.<sup>226</sup> The CCMA, as an independent, neutral, third party, is tasked with the resolution of disputes between employers and employees through the use of ADR.<sup>227</sup> In a similar vein several provincial rental housing tribunals were established in terms of the Rental Housing Act.<sup>228</sup> These tribunals which are

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<sup>222</sup> *Ibid.*

<sup>223</sup> *Ibid.*

<sup>224</sup> It is often considered dishonourable to lose a dispute in Japan, thus litigation creates the potential to inflict serious harm on a party's reputation and honour.

<sup>225</sup> *Supra* note 107 (Martin) at 959.

<sup>226</sup> No. 66 of 1995.

<sup>227</sup> Overview of CCMA. Available at <http://www.ccma.org.za>.

<sup>228</sup> No. 50 of 1999.

free of charge provide the services such as mediation and arbitration for disputes between landlords and tenants.<sup>229</sup>

It thus could be argued that there is evidence from current legislation to support the notion that South Africa is in many ways pro ADR. This argument is further strengthened by the underlying value of "ubuntu" that was included in our Interim Constitution,<sup>230</sup> and remains an underlying value in our Final Constitution.<sup>231</sup> Ubuntu in many ways mirrors the values that underlie ADR- values such as conciliation instead of confrontation, and reparation instead of retaliation.<sup>232</sup> Ubuntu thus is aimed at resolving disputes, like ADR, in such a way that both parties can benefit and can continue to have an amicable relationship.

### *Conclusion*

From the above overview and commentary on the advantages, disadvantages and the international attitude towards ADR in general it can be argued that alternative dispute resolution is justified in having a growing support base within not only South Africa, but the world over. Alternative dispute resolution not only provides the disputants with the opportunity to control how the dispute is resolved, but it also allows for the swift and cost effective resolution of complex disputes, making it ideally suited to IP disputes. Furthermore, through the use of expert arbitrators and mediators it

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<sup>229</sup> Gauteng Province Provincial Housing Tribunal- Background. Available at <http://www.dlgh.gpg.gov.za/Pages/HousingRentalTribunal.aspx> (Last accessed: 20 December, 2012).

<sup>230</sup> Act 200 of 1993. The Preamble of the Interim Constitution reads:

"The adoption of this Constitution lays the secure foundation for the people of South Africa to transcend the divisions and strife of the past, which generated gross violations of human rights, the transgression of humanitarian principles in violent conflicts and a legacy of hatred, fear, guilt and revenge. These can now be addressed on the basis that there is a need for understanding but not for vengeance, a need for reparation but not for retaliation, a need for *ubuntu* but not for victimisation.

<sup>231</sup> The Constitution, of the Republic of South Africa, 1996; Irma J Kroeze. "Doing Things with Values II: The Case of Ubuntu." (2002) 13 *Stellenbosch L. Rev.* 252 at 252.

<sup>232</sup> *S v Makwanyane and Another* 1995 (3) SA 391 at 223.

is possible that a greater level of predictability and consistency will emerge in IP law which would signify a departure from much of the criticisms of current court decisions. The nature of intellectual property disputes, as has been argued, is changing from domestic disputes to ones that are truly international and encompass a multitude of jurisdictions and it is here that ADR may find a vital role. Through the choice of laws by the disputants international disputes which would previously have taken years of multi-jurisdictional litigation may be resolved in a fair and amicable manner. Furthermore, the development and advancement of the Internet, as well as the establishment of standardised rules regarding ADR and IP disputes by organisations such as the WIPO, allows for the possibility of the establishment of an online dispute tribunal that would be able to resolve multi-jurisdictional disputes in a manner that is effective, efficient and does not require one party to sacrifice any home advantage. Online dispute resolution of IP disputes, while it has its benefits, is not without its serious disadvantages. The next chapter will briefly investigate the possibility of online dispute resolution and whether it is suited to the complex field of intellectual property law.

# Chapter 4: The Future of Alternative Dispute Resolution- Is Online Resolution of IP Disputes feasible?

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The Internet has been heralded as one of mankind's greatest inventions- a borderless and seamless web of interconnected users, creating their own communities and content without prejudice or control. With the invention of applications and programmes such as Skype and Facebook, Internet users can instantaneously be connected face to face with friends, family and business associates, who may be thousands of miles in any country. The Internet has also created new forms of intangible "property" in form of virtual belongings, domain names, website designs, website code- the list being almost endless. The universal nature of the Internet however has created endless problems for attorneys and legislators worldwide- the main issues often being jurisdiction and choice of law.

The Internet has also created a list of issues with regards to intellectual property law. The ability of users to disseminate information at the click of a button has led to a myriad of issues relating to copyright and trademark infringement, as well as the potential for the mass divulgence of trade secrets.<sup>233</sup> As the global village grows and businesses continue to create, commission, licence and buy intellectual property from countries other than their own, the potential for multijurisdictional lawsuits grows more and more prominent. As has been pointed out in previous chapters alternative dispute resolution may hold the key to resolving the issue of multijurisdictional in intellectual property disputes through allowing parties a wide discretion in terms of choice of law, thus speeding up the dispute process, and saving both time and money. The Internet has the potential to further increase

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<sup>233</sup> Elizabeth A. Rowe 'Trade Secret Litigation and Free Speech: Is it Time to Restrain the Plaintiffs' (2009) 50 (5) *Boston College Law Review* 1425 at 1431.



these savings by allowing parties to conduct meetings, negotiation and arbitration sessions without having to be in the same location, thus eliminating the time wastage in the form of necessary travel. The online environment however is not without its disadvantages and potential obstacles. This Chapter will explore, in brief, the mechanisms that are currently in place to resolve disputes online. The Chapter will then proceed to analyse the advantages and disadvantages of online dispute resolution and how it is, or is not, suited to the field of intellectual property dispute resolution.

*A. Online Dispute Resolution: Are WIPO and the ICANN's<sup>234</sup> Uniform Domain Name Dispute Resolution Policy the model for the future of ODR?*

*i. WIPO and UDRP*

The WIPO's Domain Name Dispute Resolution is administered under the umbrella of the WIPO's Arbitration and Mediation Centre and could be considered to be at the forefront of online dispute resolution with regards to domain name dispute resolution and intellectual property.<sup>235</sup> The WIPO Centre is accredited by ICANN as a provider of domain dispute services and as such has adopted the UDRP as the policy governing all disputes that come before them.<sup>236</sup> The UDRP was adopted by ICANN in 1999 and essentially provides the legal framework for the resolution of disputes that involve certain domains.<sup>237</sup> When applicants apply to register their domain names they must declare their consent to the UDRP and thus agree to

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<sup>234</sup>Internet Corporation for Assigned Names and Numbers.

<sup>235</sup>'Domain Name Dispute Resolution' available at <http://www.wipo.int/amc/en/domains/> (Last Accessed 4<sup>th</sup> January, 2013).

<sup>236</sup>*Ibid.*

<sup>237</sup>The WIPO Guide to the Uniform Domain Name Dispute Resolution Policy (UDRP) states that

The WIPO Centre has the jurisdiction to hear matter relating to generic top level domains such as .biz, .com, .info, .mobi, .name, .net, .org), and those country code top level domains that have adopted the UDRP Policy on a voluntary basis.

Available at <http://www.wipo.int/amc/en/domains/guide/#f3> (Last Accessed: 4<sup>th</sup> January, 2013).

submit their dispute to one of the accredited dispute resolution service providers.

The UDRP was designed to streamline the resolution of domain name disputes and, as such, certain time limits are imposed to ensure that matters are resolved in a timely and cost effective manner. In this regard the administrative process for filing of a dispute at WIPO is limited to 60 days.<sup>238</sup> Furthermore, the time limit for the administrative panel to make is limited to a period of fourteen days, except in special circumstances.<sup>239</sup> The decision however is not final and may be challenged in certain courts.<sup>240</sup> The effect of the decision is either to allow for the transfer of the domain name to the complainant, or to allow the respondent to continue to use the domain name. In the case of domain name disputes, unlike conventional litigation, no monetary award is made for damages that may have been incurred due to the use of the domain name.<sup>241</sup> Once a decision has been made, it is published on the WIPO Centre website thus allowing public access to the reasoning behind the panel's decision.<sup>242</sup> The UDRP requires that the registrar of the domain name must implement the panel's decision within 10 business days of receiving notification of the decision.<sup>243</sup> The WIPO fees have also been limited to ensure that the dispute resolution process is cost

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<sup>238</sup> Ibid.

<sup>239</sup> "Paragraph 15(b) of the UDRP Rules provides that, in the absence of exceptional circumstances, the Administrative Panel shall forward its decision on the Complaint to the WIPO Centre within fourteen days of its appointment." <http://www.wipo.int/amc/en/domains/guide/#f3> (Last Accessed: 5<sup>th</sup> January, 2013).

<sup>240</sup> Ibid.

<sup>241</sup> Isabelle Manevy 'Online dispute resolution: what future?' (2001) *The University of Paris* at 17. Available at <http://www.juriscom.net/uni/mem/17/odr01.pdf> (Last Accessed: 27<sup>th</sup> December, 2013).

<sup>242</sup> Supra note 237 (WIPO Guide); Paragraph 16 (b) of the UDRP Rules states:

"Except if the Panel determines....., the Provider shall publish the full decision and the date of its implementation on a publicly accessible web site. In any event, the portion of any decision determining a complaint to have been brought in bad faith .....shall be published."

Rules for Uniform Domain Name Dispute Resolution. Available at <http://www.icann.org/en/help/dndr/udrp/rules> (Last Accessed: 3<sup>rd</sup> January, 2013).

<sup>243</sup> Supra note 242 (UDRP Rules) at Paragraph 4(k).

effective. In this regard the fees range from 1500 dollars for a single panellist to 4000 dollars for a three panellists.<sup>244</sup>

*ii. How is Uniform Domain Name Dispute Resolution Policy applicable to IP dispute resolution?*

The UDRP provides an extremely useful guideline for the future of IP alternative dispute resolution, both in the online, as well as the offline environments. The process of decision making employed by the panellists in the resolution of domain name disputes is essentially the same as that of an arbitrator in an IP dispute. Like IP disputes, the Complainant is required to file details of their complaint, as well as the issues that arise from the Respondent's use of the domain name- this may for instance be an issue of trademark infringement. The Respondent may then file a response to the complaint.<sup>245</sup> After the WIPO Centre has received both filings of the Complainant and the Respondent, the Centre will then appoint a panel of one or three persons to decide on the matter. The advantage of the WIPO centre is that the persons appointed by the Centre are generally experts in international trademark law, electronic law and Internet and domain name law.<sup>246</sup>

The WIPO Centre has a proven track record<sup>247</sup> which demonstrates that complex matters can in fact be decided within a short space of time with little cost to the disputants. The secret perhaps lies, as has been argued in previous chapters, in the expertise of the adjudicators examining the matter.

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<sup>244</sup> The WIPO Schedule of Fees states:

“For a case involving between 1 and 5 domain names, the fee for a case that is to be decided by a single Panellist is USD1500 and USD4000 for a case that is to be decided by 3 Panellists.

For a case involving between 6 and 10 domain names, the fee for a case that is to be decided by a single Panellist is USD2000 and USD5000 for a case that is to be decided by 3 Panellists”

WIPO Schedule of Fees. Available at <http://www.wipo.int/amc/en/domains/fees/index.html> (Last accessed: 3<sup>rd</sup> January, 2013).

<sup>245</sup> Supra note 237 (WIPO Guide).

<sup>246</sup> Ibid.

<sup>247</sup> In 2012 the Centre made 1971 decisions 87 % of which resulted in a transfer of the domain name.

Furthermore, by limiting the amount of time and allowable fees, the process creates boundaries within which the parties must work, thus preventing the introduction of overly complex and arduous material or the use of multiple expert witnesses who may give conflicting testimonies which simply serve to waste time and money. By creating a workable and defined framework, the WIPO Centre creates procedural safeguards in ADR that answers many of the concerns of critics

*iii. When is ODR not suited to IP disputes?*

While trademark law may, in many ways, be suited to online dispute resolution, as the main inquiry is a factual comparison between the marks, much like that of domain name dispute resolution, online dispute resolution it could be argued is currently not suitable for patent or copyright disputes.

To begin with while trademark disputes may in many circumstances be factually straightforward and thus suitable for speedy resolution, other IP disputes such as those that arise in patent law and copyright law are often extremely technical and factually complex. In such disputes it may not be possible to convey the full details of the dispute, as well as the evidence involved, to the panellist(s) in such a way that they may make a reasoned decision. In such cases, it is submitted that oral evidence is preferable to written submissions as it would allow the panel to ask questions of clarification as the evidence is presented.

Online dispute resolution may furthermore only be suitable for circumstances in which a panel or arbitrator's decision is final and there is no need for mediation. While it is possible to conduct a mediation session via the Internet, through either the use of text messaging, email, or face-to-face video conferencing, often a mediator is unable to observe certain visual or auditory cues or mannerisms of the parties that may be important, or even essential, to guiding the parties towards an amicable settlement.<sup>248</sup>

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<sup>248</sup> Haitham A. Haloush,, and Bashar H. Malkawi. "Internet Characteristics and Online Alternative Dispute Resolution." (2008) 13 *Harv.Negot. L. Rev.* 13 327 at 338.

Furthermore, cultural differences and backgrounds often play a huge role in the process of mediation. However, in an online environment where the mediation is done via email, or instant text messaging, a mediator may be unable to compensate for the cultural differences between the parties.<sup>249</sup> The result may be that a high level of mistrust and misunderstanding develops between the parties to dispute, and parties and the mediator, which ultimately may cause the mediation process to fail.<sup>250</sup> This is of particular importance in patent disputes where there is cross licensing and a need to preserve the current business relationship. In a binding arbitration scenario however emotions and relationships are less important in light of the fact that ultimately the arbitrator will have the final say in the settlement of the dispute.

Another issue that may arise with an online dispute resolution system similar to that of UDRP, where the complainant must pay the dispute fees, relates to the rights of the parties to the dispute. Firstly, from a complainant perspective, it could be argued that requiring the complainant to pay for the entire dispute would equate to an infringement of the rights of access to justice and access to court.<sup>251</sup> The infringement may arise in circumstances where the complainant is unable to furnish the fees for the proceedings and thus is unable to vindicate their rights. Secondly, while online dispute resolution does provide the parties with a large amount of control over the proceedings and how the complaints and responses are filed, this control may be a double edged sword. In this regard the parties may not in certain situations fully understand the mediation, or arbitration, process and furthermore may not fully understand the terms of a settlement agreement. In such cases the parties may waive certain rights without having the intention to do so. It is in these circumstances that it would be imperative to require parties to have some form of legal advisor to ensure that the parties are able to fully comprehend the consequences of their actions. As has been pointed out in previous Chapters, patent disputes are not only factually complex but are also legally technical. As such, there is a huge potential for patent

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<sup>249</sup> Ibid.

<sup>250</sup> Ibid.

<sup>251</sup> The Constitution of the Republic of South Africa, 1996, s34.

holders to waive certain legal rights in an online agreement without being fully aware of the legal ramifications of their actions.

Finally, from a technological perspective online dispute resolution presents many obstacles for implementation. From a South African perspective, while access to Internet is certainly on the rise,<sup>252</sup> the country is far from being able to provide universal access to all its citizens. The result is that respondents may not always have access to facilities to be notified of when a complaint has been made, and furthermore may be unable to file a response. In conjunction with this, many critics of online dispute resolution have stressed the need for the security of confidential information that may be submitted by the parties to the dispute. This is of particular importance where the parties are required to give full online disclosure of the details of their patent and business in order for the arbitrator to make an informed decision.<sup>253</sup> Issues such as confidentiality and security would have to be addressed through strict policy and regulations to ensure that the stored information does not make its way into the public domain and this in itself presents a significant challenge to legislators, and the court system as a whole.

It is inevitable that as technology progresses and becomes more advanced, online dispute resolution will become more prominent in both the international and national spheres of law. The online environment certainly holds the potential to reduce the cost and time involved in resolving disputes, as well the potential to develop a more universally applicable body of law. That being said, there is still much to be done if ODR is to be implemented correctly in the complex field of intellectual property law. From a domestic point of view, South Africa will need to take steps to develop a body of regulations and legislation that will ensure that South Africa is able to deal with the future onslaught of Internet related disputes that may arise as a

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<sup>252</sup> Arthur Goldstuck "Mobile pushes Internet to the Masses" available at <http://www.worldwideworx.com/mobile-pushes-internet-to-the-masses> (Last accessed: 4th January, 2013). According to research done by World Wide Works there was a 25% growth in Internet users for the period of 2010 to 2011. The researchers further predicted that the number of Internet users would reach the 10 million mark by the end of 2012.

<sup>253</sup> Eugene Clark, George Cho, & Arthur Hoyle. "Online dispute resolution: Present realities, pressing problems and future prospects." (2003) 17(1) *International Review of Law, Computers & Technology* 7 at 10.

result of increased Internet usage. While the online resolution of patent and IP disputes is still some distance in the future, the reality is that South Africa must begin to take steps to modify their current IP adjudication system to one that will save the court system time, money, as well help ensure that our IP law jurisprudence remains up to date with the rest of the world. The answer to this may lie in mandatory intellectual property dispute resolution.

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# Chapter 5: Mandatory ADR in IP Disputes in South Africa: Is there a future?

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Throughout the paper the main issues identified with modern day adjudication of IP disputes, and in particular patent disputes are time, legal costs and the quality of decisions made by non-expert judges or juries. By examining the mechanisms available in alternative dispute resolution a number of benefits have been identified. Firstly, alternative dispute resolution appears to offer significant time savings in the resolution of IP disputes. Secondly, ADR, through the limitation of the proceedings as well as the time frame in which the decision or settlement must be made, can drastically reduce the amount that parties are required to pay to achieve an outcome. Lastly, ADR, through allowing parties to choose an arbitrator or mediator skilled in the relevant field, as well the substantive law to be applied to the dispute, ADR can resolve domestic and international IP disputes in a way that renders a decision that is final, decisive, of a high quality and crafted to meet the particular needs of the parties. ADR therefore presents a bright future for the advancement of intellectual property law.

## *A. Mandatory alternative dispute resolution: A myriad of constitutional issues?*

The success and use of alternative dispute resolution mechanisms relies on the voluntariness of the parties, firstly to participate in the proceedings and secondly to negotiate in good faith.<sup>254</sup> Many of the benefits derived from alternative dispute resolution, such as the savings in cost and legal expenses, are based on the premise that the parties wish to resolve the

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<sup>254</sup> Supra note 7 (Balmer) at 150; Maureen A. Weston "Checks on Participant Conduct in Compulsory ADR: Reconciling the Tension in the Need for Good-Faith Participation, Autonomy, and Confidentiality." (2001) 76 *Ind. LJ* 591.



matter in amicable and efficient manner.<sup>255</sup> However, if the parties are forced into ADR, either through contractual obligations or by way of state regulation, it is unlikely that their mind-set would be conducive to the efficient settlement of the dispute.<sup>256</sup> ADR may simply become an obstacle, rather than an aid, to the achievement of an amicable and fair outcome. It could thus be argued that in cases of mandatory ADR, parties may feel that they have received a form of "second class" justice.<sup>257</sup> This perhaps stems from the situation in which that parties may in some cases have to give up certain rights, in relation to the intellectual property, in dispute in order to achieve a settlement but also may stem from the fact that many procedural safeguards are not incorporated into ADR proceedings.<sup>258</sup>

In order for ADR to become a viable solution to IP disputes outside of the court system there must be a paradigm shift, from thinking of mediation and arbitration as alternatives to the court system, to one that sees the court system as an alternative to mediation and arbitration.<sup>259</sup> In this sense, the use of ADR mechanisms must become a mandatory step before parties are permitted to go to court. Furthermore, in order to prevent parties from using this required step as a delaying tactic, arbitration, in this context, should be treated as being binding, with limited grounds of review to the Commissioner of Patents that may be based purely on the non-application or misapplication of the relevant law and does not allow for or necessitate the need for presentation of technical facts surrounding the case. By limiting the grounds of review or appeal to aspects of a legal nature only, the potential for legal proceedings to be prolonged further is greatly reduced.<sup>260</sup>

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<sup>255</sup> Michele L. Giovagnoli. "To Be or Not to Be: Recent Resistance to Mandatory Arbitration Agreements in the Employment Arena." (1995) 64 *UMKC L. Rev.* 547 at 552.

<sup>256</sup> *Ibid.*

<sup>257</sup> *Supra* note 115 (Heinze) at 346.

<sup>258</sup> *Ibid.*

<sup>259</sup> See for instance Caroline Harris Crowne. "Alternative Dispute Resolution Act of 1998: Implementing a New Paradigm of Justice, The." (2001) 76 *NYUL Rev.* 1768.

<sup>260</sup> In this regard the need for a re-examination of the technical evidence by the Commissioner is not necessary and this serves to minimise the scope of the review process thereby reducing not the time and cost of the legal proceedings but also the caseload of the High Court.

The introduction of a mandatory step, such as ADR, to the justice system is not a simple task. A number of academics in the US have examined the use of mandatory ADR in labour disputes<sup>261</sup> in particular and have raised a number of concerns with regards to its impact on the parties' constitutional rights.<sup>262</sup> These concerns include the misapplication of substantive law by arbitrators; denial of access to court; and an unjustified delegation of judicial powers. All three of these concerns, it is submitted would arise under the South African Constitution.

*i. Non-application of substantive law by arbitrators*

One of the greatest concerns of critics of mandatory ADR, and in particular mandatory binding arbitration, is the non-application of substantive law by the adjudicating arbitrators.<sup>263</sup> Unlike the judiciary, who are constitutionally bound to apply the law,<sup>264</sup> arbitrators, as well as the parties, can, to some extent, choose what law applies to the proceedings and the resolution of the dispute.<sup>265</sup> The issue that arises is whether or not arbitrators deprive the parties of particular rights that they may be entitled to in a court of law.<sup>266</sup> Furthermore, the presumption that both parties have control of proceedings and can jointly decide what law applies to the proceedings is premised on the assumption that both parties equally understand the law.<sup>267</sup> However, often one party may not fully understand the nature of the proceedings, or what rights they may stand to waive by taking part in ADR.<sup>268</sup> The result may

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<sup>261</sup> The bulk of investigations into the implications of mandatory ADR have arisen in the field of employment law in the US.

<sup>262</sup> Edward Brunet 'Arbitration and Constitutional Rights' (1992-1993) 71 *N.C. L. Rev.* 81; Lucy V. Katz 'Compulsory Alternative Dispute Resolution and Voluntarism: Two headed monster or two sides of the coin?' 1993 *J. Disp. Resol.* 1.

<sup>263</sup> Supra note 262 (Brunet) at 85.

<sup>264</sup> Constitution of the Republic of South Africa, 1996 Section 165 (2) states:

"The courts are independent and subject only to the Constitution and the law, which they must apply impartially and without fear, favour or prejudice"

<sup>265</sup> Supra note 262 (Brunet) at 85.

<sup>266</sup> Due to the confidential nature of the proceedings and the limited grounds of review it is difficult to determine how many cases this issue has arisen.

<sup>267</sup> Jacqueline M Nolan-Haley. "Informed Consent in Mediation: A Guiding Principle for Truly Educated Decision-making." (1998) 75 *Notre Dame L. Rev.* 775.

<sup>268</sup> Senator Russel D. Feingold 'Mandatory Arbitration: What process is due?' (2002) 39 *Harv.J. on Legis.* 281 at 284.

be that the parties are denied their right to procedural fairness<sup>269</sup>, or are not afforded the same safeguards as those that are available to parties who proceed to court. In the most extreme cases it may be argued that parties are denied their right of access to courts.

*ii. The right of access to courts*

Section 34 of the Constitution states:

‘Everyone has the right to have any dispute that can be resolved by the application of law decided in a fair public hearing before a court or, where appropriate, another independent and impartial tribunal or forum.’

ADR has been criticised for having the potential to deny parties their right of access to courts.<sup>270</sup> This criticism has mainly arisen in the case of the contractual obligation to pursue ADR. However, due to the narrow grounds of review for arbitration proceedings and its inherent finality, it could be argued that this may be an unjustified limitation of the right of access to courts.

Section 34 however does make provision for the resolution of a dispute by another independent and impartial tribunal or forum. Therefore, it cannot be said that if mandatory ADR for IP disputes was implemented it would amount to a complete denial of the right of access to courts. However, it could be argued that there is a proviso that independent and impartial tribunals or forums must apply the law if they are to fall within the bounds of section 34. If this is indeed the case then arbitrators, and parties, have only a limited

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<sup>269</sup>\*Section 33 of the Constituion states:

‘Everyone has the right to administrative action that is lawful, reasonable and procedurally fair’

While it is beyond the current scope of this paper to investigate the meaning of what constitutes “administrative action” and whether the decision of a private arbitrator that affects the rights of the IP right holders at the Registrar constitutes “administrative action” in terms of the Constitution and the Promotion of Administrative Justice Act No.3 of 2000, it is most certainly arguable that procedural fairness as guaranteed by s 33 should extend to such proceedings.

<sup>270</sup> Supra note 262 (Katz) at 28.

discretion when deciding what law should apply to the proceedings and resolution of the dispute.

*iii. Mandatory ADR may result in the unjustified delegation of judicial powers*

Section 165 of the Constitution clearly states that judicial authority of South Africa is vested in the courts. The courts furthermore are under an obligation, when applying a provision of the Bill of Rights, to develop the common law and legislation in such a way that it is consistent with the values of the Constitution.<sup>271</sup> Furthermore, section 166 of the Constitution requires a “court” to be established by way of an Act of Parliament.

The issues that have been raised with regards to mandatory binding arbitration are twofold. Firstly, due to the lack of records and confidentiality of arbitration proceedings, it is difficult to review the decision of arbitrator and what law or rules were applied.<sup>272</sup> Secondly, by delivering a final binding decision on the dispute the arbitrator is effectively creating an order that the parties will have to abide by.<sup>273</sup> In the process the arbitrator may develop existing laws or apply them in such a way that the dispute can be resolved. The decisions have far reaching consequences and may in effect limit the parties’ right to “property”<sup>274</sup> that is enshrined in section 25 of the Constitution.

Arbitrators thus wield a great deal of power when resolving disputes and the narrow grounds of review mean that this power may go unchecked. By allowing arbitrators to choose and develop the applicable law in IP disputes without establishing them as structure within the branches of government, and without the requisite checks and balances, it is most certainly arguable

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<sup>271</sup> The Constitution of the Republic of South Africa, section 8(3)(a).

<sup>272</sup> See for instance Edward F. Sherman "Confidentiality in ADR Proceedings: Policy Issues Arising from the Texas Experience." (1997) 38 S. Tex. L. Rev. 38 541.

<sup>273</sup> Dwight Golann 'Making Alternative Dispute Resolution Mandatory: The Constitutional Issues' (1989) 68 Or. L. Rev. 487 at 521 to 522.

<sup>274</sup> It is beyond the current scope of this paper to discuss whether or not intellectual property falls within the scope of the section 25 definition of “property” in the Constitution. However it is arguable that it does.

that an unjustifiable delegation or usurpation of judicial powers possibly takes place.<sup>275</sup>

*B. Is ADR the future of IP dispute resolution in South Africa?*

The above issues with regard to mandatory ADR in IP disputes paints a bleak picture for the use of compulsory ADR measures in IP disputes before being allowed to apply a court for relief. It, however, does not paint the impossible.

Alternatives to the court system in South Africa such as the CCMA, the Housing Tribunal, the Competition Commission, and the Co.Za domain name resolution<sup>276</sup> forum run by the SAIPL, prove that it is possible to use alternative dispute resolution to successfully resolve complex and emotive disputes in an efficient and effective manner. Intellectual property disputes should therefore be no different.

There is a desperate need to develop a strong regulatory framework within which the IP disputes can be resolved. This framework must contain guidelines on the procedure to be followed during proceedings, as well defining the role and bounds of the arbitrator. In particular, adequate grounds of review must be developed to ensure that an acceptable and consistent standard of review is adopted in ADR proceedings. The framework need not be innovative or ground breaking- instead it would be advisable that the system adopt the UNCITRAL Arbitration Rules<sup>277</sup> and develop proceedings based on the WIPO Arbitration and Mediation Centre procedures. By doing so, South Africa would ensure that not only are we able to resolve our disputes in an efficient manner, we would also be able to resolve international disputes should such a need arise.

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<sup>275</sup> Supra note 273 (Golann) at 528.

<sup>276</sup> The Co.Za domain dispute resolution centre established in 2007 by SAIPL, and based on the UDRP, received more than 17 cases in its first year and has continued to grow in numbers as access to Internet becomes more universal in South Africa. Available at <http://www.domaindisputes.co.za/content.php?tag=30> (Last accessed 24 January, 2013).

<sup>277</sup> Available at <http://www.uncitral.org/pdf/english/texts/arbitration/arb-rules-revised/arb-rules-revised-2010-e.pdf> (Last Accessed: 10th January, 2013).

There is a great deal of room for the development of compulsory ADR within South Africa IP law, and there are existing structures and institutions which can support such a move in the future. The South African Institute of Intellectual Property Law has proven that they are able to resolve domain disputes in a fair and impartial manner and there can be no question that the intellectual resources available through the institute are of an extremely high calibre.<sup>278</sup> Furthermore, the Arbitration Foundation of South Africa has many years of experience in the arbitration of commercial disputes. It is perhaps time then for the South African legislature to recognise the competence of institutions such as these to resolve complex matters that drain court resources and statutorily mandate that IP disputes to arbitrated or mediated prior to their acceptance at court.

This paper has provided an overview of alternative dispute resolution mechanisms, such as mediation and arbitration, as an alternative a court system in the case of intellectual property disputes. The paper has examined the current deficiencies in the modern court systems, both in South Africa and abroad, and has highlighted many of the issues that face the resolution of IP disputes in a global marketplace and has focussed on three particular issues and how they may be resolved by ADR- these being *time*, *costs* and *quality of decision making*.

Regrettably the limitations of the paper prevented an in-depth examination or proposal of the types of regulations that should be implemented in South Africa to ensure consistent and fair decisions in ADR. However, as emphasised earlier in the Chapter, there is no real need to stray from the UNICTRAL Arbitration Rules or the rules that have been developed by the WIPO Arbitration and Mediation Centre. These two beacons of light in the ADR and IP fields provide tried and tested rules that are in most cases universally applicable. By adopting similar regulations and developing an institutional framework similar to that of WIPO, South Africa would be well placed to mediate and arbitrate any international disputes that may arise

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<sup>278</sup> The Institute represents over 164 patent and trade mark attorneys all having various levels of experience in IP law. Available at <http://saiipl.org.za/> (Last accessed 24 January, 2013).

between nationals and foreign companies in the future- the nature of ADR lending itself to the resolution of multi-jurisdictional disputes.

Much work and investigation is however still required into unifying the different fields of IP law in South Africa. In particular, if ADR is to be a viable “first step” in the resolution of IP disputes, legislation will be required that defines the role of the Commissioner of Patents in relation to matters that come on appeal before the High Court. Furthermore, full time, impartial and experienced arbitrators will be required if the system is to work at all and the same can be said of judges. The Commissioner of Patent should no longer be appointed on an ad hoc basis. Rather by maintaining a permanent figurehead at the Patent Court, the court system may provide attorneys and disputants with a level of predictability and consistency that is arguably lacking from the current system. This would provide for higher quality decision-making and ensure that the decisions do not need to be appealed from ADR unnecessarily. In terms of ensuring that time and costs are restricted definable procedures will be needed to ensure that decisions are made within a certain budget and time frame, much like that incorporated within UDRP. The fact that there are time and fee limitations does not mean that the remedies available should be limited in any way. As has been pointed out in previous Chapters, the WIPO Mediation and Arbitration Centre awards can range from thousands of dollars to millions of dollars. The key is having the right expertise to ensure that even though the decision must be made within a short period of time and based on limited evidence and with limited amounts of expert testimony, the decision is still well reasoned, of a high quality and is also fair.

While this paper in no manner or means can claim to have investigated all the advantages and disadvantages of the use of ADR in IP disputes, it has argued that ADR in many ways is well suited to the resolution of IP disputes. The use of ADR in IP disputes will continue to become more prevalent in legal systems around the world as IP disputes become more jurisdictionally complex and international in nature. South Africa therefore cannot afford to simply rely on its backlogged High Courts to resolve intellectual property

disputes, but must take steps towards implementing a system that will give investors and IP right holders the confidence and peace of mind to invest and disclose their innovations, knowing that should a dispute arise it can be resolved in efficient and cost effective manner.

Alternative dispute is arguably the way of the future. With technology developing at rate of knots unseen in human times, time has never been more of the essence. While the court system has served intellectual property well for hundreds of years the mere proliferation of the complexity of IP disputes and the sheer increase in litigation in various existing, and new fields of law, means that the court system simply cannot deal with IP dispute in manner that is timely, cost effective and does not result in the prejudicing of the IP right holders limited monopoly time over their innovation or work. With this in mind the question on the Legislature's mind should not be if South Africa should implement a regulated system of alternative dispute resolution in IP disputes but rather when should they implement it? The answer to that question is straightforward- now.

-End-



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